

Crying time again

When business ends in tears

FINANCIAL TIMES

MONDAY JULY 25 1994

French air strike delays thousands of tourists

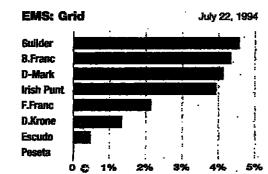
Thousands of tourists throughout west Europe had their holiday flights to and from the Mediterranean delayed by an air traffic controllers' strike in scuthern France. In Palma, Majorca, more than 10,000 people were affected by delays at the weekend. The controllers in Aix-en-Provence warned yesterday that Mediterranean services would only return to normal some time this morning.

Middle East peace progress: Israeli prime minister Yitzhak Rain and King Hussein of Jordan are expected to declare in Washington today that their 46 years of official hostilities are over.

Blast damages Welsh refinery: An explosion caused a big fire and widespread damage at Tex-aco's Milford Haven oil refinery in south west Wales. There were only minor casualties. Texaco said it was too early to pinpoint the cause of the explosion, which will put 10 per cent of the UK's refining capacity out of action for an indefinite

German Interest rates: The era of falling German interest rates is nearing its end, according to Herbert Hax. one of the Bonn government's top independent advisers. The economy had improved so much that further cuts in short-term rates were unnecessary, he said. Page 16

European Monetary System: The week saw the dollar recover and the Bundesbank fix the repo rate for four weeks, but the order of currencies in the EMS grid remained unchanged. The range between the strongest and weakest currencies narrowed slightly. Currencies, Page 29



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

US accounting plan: US companies will probably have to take the costs of stock options as a charge against profits within the next three years under proposals being considered by the US Financial Accounting Standards Board.

Standard Chartered, UK-based international bank group, is co-operating with an independent bribery and corruption probe in Hong Kong into alleged malpractice at Mocatta, its bullion dealing

No clear answer from Sinn Féin: Sinn Féin, political wing of the Irish Republican Army which opposes Britain's presence in Northern Ireland, stopped short of saying "yes" or "no" to peace pro-posals put forward by the British and Irish governments. Page 16

Refugees riot in Germany: About 40 refugees, most of them Algerians, rioted in a German jail and took a prison guard hostage. The prisoners, facing deportation after their asylum applications were rejected, demanded a bus and free passage to a neighbouring country.

Quebec sets poll date: Quebec premier Daniel Johnson announced that a provincial election will be held on September 12. The move launched fierce fresh debate on whether the mainly French-speaking province should secede from Canada.

Author throws away medal: Wole Soyinka, Nigeria's Nobel prize winner, threw away his national merit medal in anger when Lagos police halted a democracy march he was leading. The marchers were demanding an end to army rule and the release of opposition leader Moshood Abiola. Gambia detains Nigerians, Page 2

Warning of UK bulk materials shortage: This week's rail strike in Britain could bring serious shortages and delays in bulk materials normally carried by rail, materials producers warned

South African cricketers triumph at Lord's South African captain Kepler Wessels (right) was mobbed by jubilant team-mates after they beat England by 356 runs with more than a day to spare in the first Test at Lord's in London. England captain Mike Atherton denied having tampered with the ball, but admitted not giving

full explanation of his

actions to the match referee. Ray Illingworth, England chairman of selectors, fined Atherton £1,000 (\$1,550) for using dirt to keep his hands dry and a further £1,000 for not explaining his actions

Cycling: Miguel Indurain of Spain won the Tour de France for the fourth time running.

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Berlusconi faces new corruption challenge

By Robert Graham in Rome

anti-corruption magistrates issued a new chal-lenge at the weekend to the government of Mr Silvio Berlusconi, ordering a string of arrests of prominent businessmen and politicians including two executives at Fininvest, the prime minister's media empire.

The move cast a further cloud over the stability of Mr Berlus-coni's 10 week old rightwing coalition. It also raised the prospect of a damaging battle between the executive branch of government and the judiciary at time when many commentators believe the magistrates have adopted too political a role.

Attention yesterday centred on

the activities of the Milan magistrates. But in Catania, Sicily, magistrates also made a high-pro file move when they arrested three of the best-known local politicians for alleged corruption including Mr Salvo Ando, a former Socialist defence minister, and Mr Rino Nicolosi, the former Christian Democrat head of the Sicilian regional government.

The arrest warrants came five days after the government backed down on issuing a decree that limited powers of investigating magistrates to use preven-tive detention. The Milan magistrates, the most prominent anti-corruption team in Italy, had threatened to resign unless the decree was withdrawn and its terms redrafted to be made less restrictive.

When the decree was approved by the cabinet on July 13, the Milan magistrates were preparing a series of arrest warrants for

prominent businessmen allegedly involved in paying bribes to members of the Guardia di Finanza, the financial police, for favourable tax assessments and compliant inspections of company balance sheets. Last week 49 of these warrants were issued and another 23 late on Saturday.

The warrants covered two men Fininvest's tax department -Mr Marco Rizzi, former member of the Guardia di Finanza, and Mr Salvatore Sciascia, the department's head. Mr Sciascia's lawyer said he would hand himself over shortly but last night he still had not been located. Other prominent names on the arrest list included Mr Felice Vitali, the chief executive of Gemina, the finance group that controls the Rizzoli-Corriere della Sera pub-

lishing empire controlled by Fiat. Milan magistrates have been investigating several aspects of Fininvest's operations, from the granting of television licences to illicit transfer fee payments to football players. The magistrates have hinted that the present line of inquiry is the most serious so

Almost 20 members of the Guardia di Finanza are under arrest and co-operating with the investigators, including a general and several senior officers. In less than a month, three members of the Guardia di Finanza have committed suicide, the most recent on Friday. Those co-operating have reportedly said an organised system of payments, structured by rank, enabled companies to enjoy low tax assessments and square their public balance sheets with their "real"

Rwandan children gather on the tarmac at Goma airport in Zaire to watch the arrival of the first US soldiers. The advanced team of 25 has

Rwandan refugees begin to go home

By Leslie Crawford in Kigali

The tide of Rwandan Hutus seeking refuge in Zaire began to turn at the weekend, with thousands heading homeward as cholera took hold in the camps along the border where up to 1,500 a day were estimated already to be

Aid officials were awaiting the arrival of the first US military aircraft scheduled to make drops of small amounts of food. Mr Kengo wa Dondo, the Zairean prime minister who was visiting the border town of Goma, yesterday reopened the frontier which had been closed since Thursday. Refugees cheered and some crossed back into Rwanda.

Their return will be crucial to the new government installed last week in the capital Kigali by Patriotic Front, leaders of which say that their top priority is con-vincing the more than 2m Hutus who have fled that their lives will not be under threat if they come

Those who are dying in Goma from thirst, hunger, cholera or

Their return from cholera-ridden camps in Zaire crucial to success of mixed Hutu-Tutsi government

exhaustion fled in fear of RPF reprisals for the genocide of the l'utsis conducted by the former Hutu government. Extremist Hutu radio stations continue to function in exile, sowing panic among the population and urging them to leave Rwanda. "The international community

must help us persuade refugees they will be safe back home." Rwanda's new prime minister, Mr Faustin Twagiramungu himself a Hutu - said in an interview. "They have been intoxicated with propaganda. We must persuade them the RPF is not

The former rebels of the RPF have taken pains to appoint a mixed Hutu-Tutsi government to win the support of the majority Hutu population. As well as the prime minister, his deputy, the president and the justice minister are ethnic Hutus, and say they reject Rwanda's ethnic divisions. The new government promises to abolish the Rwandan identity card, which identified the holder as belonging to the Hutu, Tutsi

or pigmy Twa ethnic group. The UN High Commission for Refugees, and all relief agencies, say the only solution to the humanitarian catastrophe in Goma is the voluntary repatria-tion of Hutu refugees. Mr Michel Moussalli, a special UNHCR envoy, believes a massive humanitarian presence is required in Rwanda to convince Hutus to return. "We need expasations. UN military observers -

the more the better." he said. After talks with the new government, he is inclined to believe their pledge to protect the Hutus. He hopes to have food, UN monitors and assistance stations inside Rwanda within days.

the weekend of disappearances and detentions conducted by the RPF forces in Kigali. Mrs Philomene Mukabarali, the wife of a former ambassador and moderate Hutu politician, Mr Silvestre Kamali, said yesterday her husband had been abducted at an RPF road block in the capital 10 days ago and had not been seen since. The RPF denies holding

Beyond the immediate imperative of winning back a population in exile, the new government faces overwhelming challenges. The RPF has taken over a country with no electricity, telecommunications or running water. There is no civil service - the Hutu intelligentsia was murdered alongside the Tutsi community in the wave of orchestrated kill then President, Juvenal Habyarimana, in April.

"Everyone who fought for democracy is dead," says Mr Alphonse-Marie Nkubito, the new justice minister.

Rwanda's new president, Page 3

Brussels will agree to consolidate EU employment laws

By David Goodhart,

The European Commission will this week agree to rein back the launch of further initiatives in EU-wide employment law, in an approach which will find favour with the UK government.

Instead of pushing ahead with fresh directives, new emphasis will be placed on ensuring proper implementation of what has already been passed

This is one of the central planks of the European Union white paper on social policy, drawn up the Mr Padraig Flynn, social affairs commissioner, and due to be endorsed by the Com-

mission on Wednesday.

"A lot of progress has been made over the past 18 months and we do not think it is relevant to come forward with a new legis-lative agenda," said one of Mr Flynn's senior aides at the week-

The UK has been the most hostile of the 12 EU states to the growth of European employment legislation, such as the recent directives regulating working time and young people at work. The British government will,

however, welcome a new initia-tive to create greater mobility for workers within the EU. The white paper is expected to recommend the creation of a high-level European Commission working party, with the aim of breaking down continuing barriers to mobility, especially in occupational pensions.

On the implementation of employment legislation, where

the UK has a good record, special emphasis will be placed on encouraging southern European countries, such as Greece, to put into practice health and safety legislation already approved at EU level.

The UK government will not, however, support everything in the white paper. The Commission is expected to emphasise that if no agreement can be reached by the end of the year on key employment directives, such as that on the rights of part-time workers, negotiations will be transferred from the political level to EU trade union and

employer groups.

The current German presidency of the EU is eager to reach a EU-wide deal giving part-time workers equal rights, and even equal pay on a pro rata basis, as part of its campaign to boost part-time employment in Germany. But the UK government is almost certain to block an agreement, which would open up the possibility that the issue will be

dealt with by the 11 other EU states in their "social protocol". Other points that the social policy white paper is expected to raise include:

 EU-wide legislation outlawing race discrimination. Although all individual states have such legislation, those who have been the victims of discrimination while travelling from one state to another have found it difficult to get justice.

• An action programme on equality between the sexes.

Continued on Page 16

UK/Int ...

Democrats vow to pass US health bill

Mr Al Gore, the US vice-president, and the Demo-cratic leaders of both houses of the US Congress yesterday reasserted their determination to pass a healthcare reform bill this year that would eventually provide medical insurance coverage for all Americans

Mr George Mitchell, the Senate majority leader, said he would introduce a bill within the next week and that he intended to keep the Senate in session "until we complete action on it", even if that meant delaying the sum-

mer recess due in three weeks. Mr Gore, Mr Mitchell and Congressman Richard Gephardt, the House majority leader, all conceded, as Mr Gore put it in a television interview, that "the phase-in period may have to be extended" from the administration's target date of 1998.

Mr Gore said that to wait eight to ten years for universal coverage to take effect was "way too long". But he insisted that the administration had always

Continued on Page 16

Healthcare debate, Page 4

FT World Actuaries

The Best Investment To Reduce Inflation. NordicSport Ski! HerdicSport is the affordable, easy Only MordicSport Std features MC resistance. way to lose weight and bein keen it aff. The MCare unit of your NordicSport Ski Let's face it - other exercisers, like allows you to vary the exercise bikes, stairstengers and intensity of your workout treadmills, offer only half a workout. - from fast, slick snow to because they only work the slow, sticky snow - working muscles in the lower body. The your legs differently to get the most from your cross-country skiing NordicSport* Ski¹⁴ exerciser works all your major muscle groups - for a total-body Exercise you'll enjoy for years. workout. NordicSport burns An amazing 9 out of 10 NortheSport owners more fat and calories than machines that say they would recommend NordieSport to a work just your lower body - up to 1,100 friend or family member. More importantly, calones per hour. NordieSport owners work out an average of That's not all. NordicSport tones your 4 times a week, 20 minutes a day, making entire body to help build more lean muscle NordicSport the preferred workout! – your body's main calone burner. Plus, only NordicSport Ski technology lets you Discover how NordicSpert is year key enjoy a smooth, safe workout that's to successful weight loss. Call today. less jarring and won't strain your back, knees, feet or For a free brochure and video or to ask about our retail locations Freefone 0800 616179 or write: Nordic Teach (U.K.) Ltd., Dept. FT 1G4 + 3 Collins Road + Heathcote Industrial Estate + Warwick CV34 6TF ☐ Pizase semi me a FREE irrectore ☐ Miso a FREE video (1988) nordicsport

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Leader Page

Estonian mouse determined to find way to get Russian bear off its back

sked if he thinks the Russian troops will A sked if he thinks the Russian troops will leave his country by the deadline date of August 31, Estonia's president says: "I think they will go on the 32nd of August." By which the quixotic Mr Lennart Meri means the troops will not be pushed, but will go, a view widely held in the tiny country jammed against the Baltic Sea by a vast state whose most visible politicians employ a barrage of fier-

cesomely chauvinistic rhetoric. "Look, they will go," says Ms Riina Kionka, head of policy planning at the foreign ministry. And, though the Russian defence ministry said last Thursday that it would stop the steady pull-out, Mr Raul Malk, Estonian chief negotiator with the Russians, said on Friday that "our information is that it is still going on".

Everything about these negotiations is small - the number of troops, the size of Estonia itself (1.6m people) and the issues which divide the two sides. It is, however, large in that it is taken by the world's leading states as a symbol of Russia's willingness to abide by a declared intent to withdraw; to face down domestic nationalist pressures; and to recognise, in actions if not yet in words, that the Soviet occupation of the three Baltic states in 1940 and their absorption into the USSR was an act

of illegal occupation. After the last round of talks, between Mr Malk and the Russian deputy foreign minister, John Lloyd writes from Tallinn on how a tiny state is trying to settle relations with a giant neighbour

the military issue - according to the Estonian minister - narrowed to three. Two of these concerned the time required to leave the submarine base at Paidiski and whether Estonian or Russian troops guard it. The third, the most touchy, concerns the payment of pensions to, and continue residence of, some 10,000 former Soviet officers now in Estonia.

The -main problem in the

pensioners' issue is that some officers, according to Mr Malk, are former or even present KGB officers "who have taken active part in organisations which are hostile to the Esto-nian state". The Estonians will not pay them pensions, in part because they are too young, and more importantly because they believe many of them to be a fifth column in their midst. It would be better for the Russians to take them out now because, if they stayed, sooner or later some of them will be called to trial for crimes against Estonia," said Mr

Mr Churkin - among the most famed of Russia's diplomats because of his shuttle diplomacy as his country's main negotiator with the Bosnian Serbs - appeared on Russian television on Saturday evening to say that he hoped the Estonian side would

last week, the differences on before a meeting between the Estonia wants a formal recogtwo countries' presidents, mooted by Mr Borls Yeltsin two weeks ago but as yet not fixed. "It is up to them to ask," says Mr Meri, "and they have

not asked yet." Even if, as seems likely, the troop pull-out is agreed, two other issues remain. The Estonians claim two thin slices of

Estonia wants formal Russian recognition that occupation and a Russia which has unilaterally strengthened the border. was illegal

Russian territory ~ the area

around Ivangorod, opposite the Estonian town of Narva in the north-east; and the area around Pskov in the southeast. These, they claim, were recognised as part of Estonia in the 1920 Estonian-USSR Treaty of Tartu. And since present-day Estonia has affirmed its succession from the inter-war republic and Russia has claimed to be the inheritor of Soviet treaties, its terms must be recognised, the more so since the claim to these pieces of land is enshrined in the new Estonian constitution.

tion for the latter is a language test described as simple: proficiency in basic conversation nition by Russia that the and residence of at least two Soviet occupation was illegal and the acts of murder and deportation criminal. Says Mr Meri: "I think Russia wants to forget its own history. I see no reason why Russia should admit its guilt before the Czechs, the Poles and others

the inscribing of territorial claims puts Estonian politicians "between a rock and a hard place", between the com-mitment to and the desire of Compromises are possible, however, one being to sign a treaty recognising the pre-war Tartu treaty borders and then immediately conclude a new treaty redrawing them along the present line. But that would take trust and goodwill. Relations between the elephant and the mouse will depend on the willingness and ability of the 500,000-plus Russian speakers in Estonia to become citizens of the new state; and the continued existence in power of a Russian government more interested in being an accepted member of

the international community

Presently, says Ms Kionka,

than in re-asserting empire.

and not before our small

Ms Riina Kionka admits that

years. "The main problem," says Ms Kionka, "is with Russians who live in all-Russian communities and never naturally speak Estonian". What Estonians see as Russian great-power attitudes towards Estonia have been on display in the past few weeks. Mr Yeltsin said at the Group of Seven summit in Naples that troops would not be withdrawn

applied to leave the country and 60,000 have applied for citi-zenship. The main qualifica-

on August 31 - a statement repeated last week by General Pavel Grachev, defence minister, while negotiations were going on. In an interview in Izvestiya, General Alexander Lebed, commander of the 14th Army and the most popular military man, warned Estonia that it was in too weak a position to argue. Estonia is the economic suc-

ss story of the former Soviet Union. It has a stable currency (the kroon) pegged to the D-Mark; gross national product growth of around 5 per cent; low inflation; trade largely reoriented to the west; and obvious signs of enrichment, especially in Tallinn. This, it seems, will be the larger determinant: the attraction for Russian-Estonians to pledge loyalty and an example which Russia should wish to emulate rather than to trust. In spite of the rhetoric of tension, Estonia

Abkhazia looks to ties with Moscow

Only the "closest ties" to Russia would ensure the successful development of Abkhazia, the breakaway region of Georgia, according to Mr Vladislav Ardzimba, the region's leader.

Speaking to the first world congress of ethnic Abkhazians in the capital of Sukhumi, Mr Ardzimba said that Abkhazia was a "de facto sovereign state". He said that none of the documents he had signed with the United Nations or Russia which has provided a peacekeeping presence of some 3,000 troops with UN agreement linked the region with Georgia.

Georgian troops were driven out of Abkhazia last year after bitter fighting, especially for control of Sukhumi. Since then, the region, to Georgia's north-west, has been sealed off from the rest of the country and the Georgian refugees denied re-entry.

Mr Ardzimba's comments are in line with the long-term aim of the Abkhazian leadership to break links with the Georgian government in Thilist and bring Abkhazia into a union - formal or informal with Russia. The Georgian population, which before the civil war had made up the majority in Abkhazia, has largely fled to Georgia, where its presence is greatly exacerbating the economic collapse of the country and raising fears of a humanitarian crisis this winter.

Figures published by the Russian statistical office Goskomstat show that Georgian industrial output has halved over the past year - the sharpest fall of any of the members of the Commonwealth of Independent States. Turkmenistan the main supplier of gas to Georgia, is threatening to cut supplies because of unpaid bills amounting to \$300m.

Mr Eduard Shevardnadze, Georgian leader and former Soviet foreign minister, is under increasing pressure from opposition politicians who accuse him of capitulating to Russian pressure and of having given up the fight to retake Abkhazia. He has warned of food and energy shortages this winter and faces a collapse of civil order as the currency is less by inflation.

another positive aspect

It showed that Germany's

governing conservatives and

opposition social democrats

could transcend party loyalties and work together to secure

the election of Mr Santer. How-

ever, it too warned that Brus-

sels will have to face the Buro-

pean parliamentarians next

December when the deouties

scrutinise the credentials of

The European parliament is the "Cinderella" who is now

"knocking at the door", said El

Pais, Spain's leading newspa-

per, in an editorial welcoming

the assembly's close vote over the appointment of Mr Santer.

The newspaper said that

of Ministers that seems to

want to control institutional

democracy; a Commission that has to redefine somewhat its

role but which would do well

the new commissioners.

emerged from Strasbourg.

INTERNATIONAL NEWS DIGEST

Slow end to air chaos forecast

Air traffic controllers in Aix-en-Provence warned yesterday that service to and across the Mediterranean would only return to normal some time this morning after their three-day strike climaxed yesterday, a peak day for people ending as well as starting their holidays. A spokesman for the striking controllers said the average delay on flights from northern Europe to the Mediterranean was five hours. But some holiday-makers were worse hit, with 5,000 forced to spend Saturday night camped at the airport of Palma in Majorca, and with services to the island of Corsica also severely disrupted.

Aix-en-Provence, one of France's five control centres, normally handles 2,400 flights a day. Its 11 controllers have been refusing to do overtime since July 11, and on Friday started a three-day strike, though they are required by law to provide a minimum service, allowing 50 per cent of flights through. But Nice airport said yesterday only 40 per cent of its scheduled flights were operating. The Aix controllers are demanding 26 more staff, shorter working hours and better pay. Despite rules that a controller should not have to guide more than 12 flights at a time, Alx controllers claim they are having to deal with more than 20. David Buchan, Paris

More voting in Ukraine

Elections to fill the final third of Ukraine's new parliament were held yesterday. If the remaining 112 seats are won by democrats and moderates, they could wrest control of the 450-seat body from the Communists and their left-wing allies However, democratic organisations have failed to present a united campaign. "The democrats have not learned their lessons," said Mr Yaropolk Kulchyckyj, Kiev head of the US based International Foundation for Electoral Systems. "They are again fighting against each other. Communists can sli through into the lead." The empty seats are a result of Ukraine's inefficient electoral law, which only managed to elect 338 MPs in two rounds of voting last March and April. Many of the vacant seats are in metropolitan districts, often empty at weekends which could mean a low turnout. With nine candidates on average per district, even the central election commission has predicted these elections will go to a second round on August 7. Jill Barshay. Kieu.

Eurofighter costs attacked

Germany's auditing office has criticised the mounting costs of the European fighter aircraft, a joint project by Germany, Britain, Spain and Italy, according to a leaked report obtained by the DPA newsagency. The third internal report by the office to the finance committee of the lower house of parliament compares the quality of the Eurofighter to the canability and efficiency of Russian MiG-29s. It coincides with a dispute between Germany's politicians and industrialists about how to finance the project which is already behind schedule.

Deutsche Aerospace, the German industrial partner in the project is seeking an extra DM1.2bn (\$765m) from public funds, but the defence ministry is hesitant at providing extra financing. The project, which is expected to cost DM30bn, is running two years behind schedule. Britain and Italy expect to take delivery of the fighter aircraft in 2000. Spain in 2001 and Germany in 2002. Judy Dempsey, Berlin

Indian arms talks in Moscow

A senior military delegation from India arrived in Moscow yesterday for talks on co-operation with Russia and possible aircraft purchases, Itar-Tass news agency reported. The news agency said the delegation, led by air force Commander in-Chief S K Kaul, would meet senior defence ministry and arms industry officials during the one-week visit and examine the latest models of Russian combat aircraft. "He [Kaul] is also likely to negotiate purchases of MiG-29 fighter-bombers and SU-30 multi-purpose fighters," the agency said, adding that India might consider buying a licence for production of the SU-30 fighters. The two sides will also discuss modernisation of MiG-21 fighters in service with the Indian air force and creation of a joint Russian-Indian aircraft venture, Tass said, quoting an Indian embassy official.

Russia and India agreed to step up military co-operation in a joint declaration signed by President Boris Yeltsin and Indian Prime Minister P V Narasimha Rao during a visit by the latter to Moscow last month. Russia was India's biggest arms sup plier in the Soviet era, but sales have slumped since then.

Zaire suspends bank chief

Zaire's new government, alarmed by the collapse of the national currency, ordered the immediate suspension of the central bank governor and an audit of the Bank of Zaire. The decision to suspend governor Mr Ndiang Kaboul, an appointee of President Mobutu Sese Seko who had held the post since February, was announced on national television by Mr Masegabio Nzanzu, information minister, at the end of a six-hour cabinet meeting. He cited what he described as serious failings and Mr Ndiang's violation of government instructions over the running of the bank.

-In the past couple of weeks billions of newly-minted Zaire notes have flooded on to the black market, sending the zaire into a steep slide against foreign currencies and forcing steep rises in the price of consumer goods. Launched last October at the rate of three to the dollar, the zaire has fallen to 1,300.

Chinese foreign debt mounts

China's foreign debt increased by 20.61 per cent or \$14.28ba last year, bringing the outstanding total to \$83.5bn, the official Xinhua news agency reported yesterday. Of the total, 83.79 per cent or \$70.027bn was middle and long-term debt and 16.21 per cent or \$13.54bn was short-term, according to a report by the state administration of foreign exchange control. Financial institutions, including banks, were the biggest borrowers, accounting for 50 per cent of the total, the agency said. China's foreign debt service ratio last year stood at 9.7 per cent and

debt ratio at 94.52 per cent, the report said.

The World Bank is expected to lend China about \$30n to finance construction of 15 projects in the next fiscal year, which begins in August, the official China Daily reported.

Waigel says dollar is set for recovery decoupling and I could imagine Changes in the tax structure would be aimed at lowering tax

US had paved the way for the dollar to recover on foreign exchange markets after hitting postwar lows, Mr Theo Waigel, German finance minister, said yesterday. Reuter reports from Bonn. Mr Waigel also talked up the D-Mark, saying one of the key successes of the Bonn government in the past few years had been to been to guide the currency through unification without suffering excessively high inflation.

Speaking on German radio, Mr Waigel dismissed fears that long-term interest rates in Europe were bound to follow "There is a certain markets." he said.

that if developments in Germany continue - clear financial and anti-inflationary policies - then an even stronger decoupling from American interest rates is possible."

Sending a clear signal to financial markets. Mr Waigel said the government was drafting tax reforms for the period after the October 16 elections. But he stressed that Bonn would not raise the federal deficit to finance tax cuts. "Tax cuts which lead to higher federal and state budget deficits would have to be paid for with higher interest rates and negalong-term rates in the tive consequences on capital

burdens for families, boosting exemptions for low wage earners and easing corporate taxes. Mr Waigel also said he favoured gradually phasing out the so-called solidarity tax -7.5 per cent surcharge on income tax bills to help finance unification - once economic conditions permitted.

Germany would also promote a European-wide withholding tax on interest earnings, but added that he did not expect agreement soon. "It can hardly be expected that we will find a solution in the next halfyear. But it is important to raise this issue," he said.



Mr Theo Waigel (left) with former Bundesbank chief Schlesinger: clear signal to financial markets

INTERNATIONAL PRESS REVIEW

European parliament prompts pain and pleasure

By David Buchan in Paris, Judy Dempsey in Berlin and Tom Burns in Madrid

The distinctive aspect of the French press and political establishment's reaction to last week's installation of the new European parliament has not been their direct comment about Strasbourg's new

French newspapers and politicians have joined those of other European countries in making the commonplace assessment that the narrow vote of approval for Mr Jacques Santer as the next Commission president shows the new MEPs intend to use to the maximum their powers under the Maastricht treaty.

Despite the low standing that parliaments in general. and the European one in particular, have traditionally in the French mind, the feeling is that a strong Euro-parliament is inevitable, and, maybe now, card d'Estaing, complained to

The real French moan is about the splintering of France's 87 MEPs into no fewer than seven groups at Stras-bourg, and the possibility that this dispersal means that France will not be able to make its voice heard.

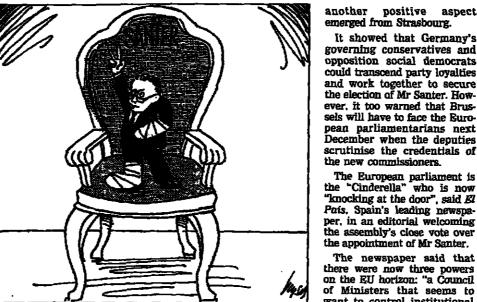
Most of the fragmentation was a consequence of the proportional system that France uses for European elections. But there was a hope among some on the government side that the 29 MEPs who won election on the government's RPR-UDF coalition ticket would sit in the same Christian Democrat group of the European Peoples Party.

In the event, only 13 UDF made it to the EPP, one stayed behind with the Liberals, and the 14 Gaullists decided to keep some Irish nationalists company, for fear the EPP might So, the UDF turned to the

be too federalist for them. press to express its anger. Its leader, ex-President Valéry GisFrench members in it, there could not possibly be a French candidate for the parliament's presidency which will be filled by someone from the EPP in

two and a half years' time. In Le Figuro Mr Jean-François Poncet contrasted this with the way that German MEPs were concentrated in Strasbourg's two big groups, the EPP and the Socialists. The result, he said, would be that a German Christian Democrat would in 1997 succeed the new German socialist president of the parliament, "French cacophony, German pre-eminence," he commented.

There was no such disgrun tled comment from the German press. The liberal Frankfurter Rundschau described the debate over Mr Santer's confirmation as "a great moment in Strasbourg." The new deputies, the newspaper argued, gave "a warning to Brussels, its bureaucrats, and European governments that it can no longer be taken for granted. Strasbourg has demanded more democracy from Euro-pean governments" and must continue to strengthen the European parliament.



Handelsblatt, the economic and business daily, went further, arguing that the "system of consensus" for electing the president of the European Commission must be changed, implying that in the end Strascompromise candidate thanks to Britain's veto. The Frank-

not to consider itself a mere furter Allgemeine Zeltung, the executive appendix to the conservative daily, and firm Council; and a Parliament that supporter of Mr Jean-Luc Dehaene, Chancellor Helmut

we now know has no intention of letting itself be treated as Kohl's original candidate for the top EU post, believed the Cinderella of European

'First lady' among German industrialists

the "first lady" in German industry, died last Saturday. aged 82, her family said yester-

"She was an outstanding personality among German indus-try," said Mr Edmund Stoiber, prime minister of Bavaria and prominent member of the Christian Social Union, the sister party of Chancellor Helmut Kohl's governing Christian Democrats. "She had ideas and concepts, and she forms a part of Germany's, and Europe's, economic history." Mr Richard von Weizsäcker, the former federal president, described her as "the First Lady of German industry". As head of Quelle, GerOBITUARY: Grete Schickedanz

business. She was present when, in 1991, Quelle laid the foundation stone for its huge branch in Leipzig, in the eastern state of Saxony. Donned in furs and pearls, and flanked by Mr Kohl, she mused loudly that DM1bn (£400m) was a lot to invest in Leipzig, and wondered if the company could afford it. An aide was said to have replied quickly: "Of course we have the money!" Quelle last year had a turnover of DM17bn. Since unification, it has invested more than DM2.5bn in eastern Germany, and is considered one of Germany's most successful pri-

vately-run businesses. Born in Fürth, Bavaria, on October 20, 1911, Grete Lachner - her maiden name - started in retailing at the age of 15 by joining Quelle, a company with a staff of five founded by Gustav Schickedanz, who was born in 1895. The coupled married in

During the 1930s, the company expanded rapidly, despite rampant inflation and unemployment. When the second world war broke out, Quelle had an annual turnover of 40m Reichmarks. Despite Allied bombing of its warehouses and its headquarters in Furth near Nuremberg, the couple decided to set up business again in 1946. The business steadily regained its market share.

It soon became the largest, most modern mail-order company in Germany, priding itself on quality for money and its

fast and reliable service. Grete Schickedanz was also

driven by a social conscience. At the end of the war, she founded a textile business to provide basic necessities for those whose homes had been destroyed.

With Mrs Schickedanz at the helm, the group diversified in the 1960s and 1970s, particularly in film processing, fashion and furniture, and set up optician outlets throughout Germany. When her husband died in March 1977, -Mrs Schickedanz continued to manage the business, rarely missing an opportunity to shape its direction, especially after German unification. She was helped by her two sons-in-law, Hans Dedi and Wolfgang Bühler, the current chairman.



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AFTER OUR ADVICE

MOST PEOPLE GO ON

TO BETTER THINGS



Middle East peace process 'irreversible' Mr Vitzhak Rabin, Israeli orime minister, and King Hus Mr Vitzha

and the irreversible nature of their peace process, at a meet-

ing in Washington today. The meeting will signify the full return of Jordan to the western fold after the king's support for Iraq during the Gulf crisis. Israelis believe the peace process will also consolidate a realignment of forces in a Middle East dominated no longer by the Arab-Israeli conflict but by the greater threat of Iran and its export of

Islamic fundamentalism.
The geo-political dimension

to Jordan are the economic incentives which are driving

peace efforts.

King Hussein has always been a moderate and pragmatist in the Arab world and has met secretly every Israeli prime minister except Mr Menachem Begin, who refused to see him. But he has waited before signing a peace treaty with Israel in the interests of wider Arab solidarity. A formal peace treaty will

still take several months to complete and will give Syria and Lebanon a little more time

ahead with normalisation of relations and implementation of joint projects ahead of a formal treaty, which is only a matter of time. Some economic measures will be announced today as the first steps towards integrating the economies of Jordan, Israel, Egypt and the

Unlike Egypt - which in 1979 became the first Arab country to make peace with Israel -Jordan and Israel share geographic and economic resources: the Jordan Valley,

Palestinians into a Middle East

common market.

dan and Yarmouk rivers and the Red Sea Gulf of Agaba. Last week's economic talks

held on the Jordanian side of the Dead Sea revealed the extent of economic co-operation which could develop well ahead of the peace treaty. At present it is even impossi-

ble to telephone Amman from Jerusalem or Tel Aviv. as Jordan has blocked the lines. Opening phone lines and borders would be an easy first step. Opening the borders would also help to fuel tour-

as establishing commercial flights, reopening the Jordanian banks which operated in the West Bank before 1967, and establishing trade rela-

More difficult and expensive will be projects like an ambitious plan discussed last week for a joint development strategy of the Jordan Valley and Arava desert from Yarmouk in the north to Aqaba in the south. The scheme would encourage tourism and preserve the environment, and includes a \$3bn project to bring

Apart from the joint projects, US President Bill Clinton has also promised to ask Congress to relieve \$950m of Jordanian debt and to supply military equipment to modernise the king's outdated army.

Israel stands to benefit almost as much from these projects as Jordan. But Israel is driven much more by the psychological dimension of ace, and today's Rabin-Hussein handshake will signify the acceptance and increased security Israelis crave in the Middle

president about recreating Rwanda hundreds of thousands of dis-Tt is not often that a president is charged with the task of reinventing, as well placed people to resettle. They must be housed where they as rebuilding, a nation. Such is feel safe. The survivors of the challenge facing Mr Pas-Tutsi massacres may be relucteur Bizimungu, Rwanda's new tant to return to their former villages. Hutus who have fled into exile must be persuaded to Mr Bizimungu is taking over country with half its people return. The government must in exile, and a history of ethnic conflict which reached its chillensure security throughout the

Leslie Crawford talks to the new

ing apotheosis in the genocide

group by the majority Hutus in April. He believes the only way

Hutu and Tutsi may live together again is by erasing the ethnic distinctions which

"Our nation is in pieces," Mr Bizimungu said at the week-

end. "We must teach new val-

ues to the population, based on

govern with no civil service,

electricity, running water or

telecommunications. The only

Yet he insists he will not be a mere civilian figurehead for a

military regime. "I joined the

RPF when it launched its

struggle in 1990," he says. "I was their spokesman in Brus-

sels and I led the peace negoti-

ations with the former govern-

The Tutsi-led RPF has been

careful to name Hutus such as

Mr Bizimungu to prominent

positions in the new govern-ment, and to include moderate

political parties in the cabinet.

It even invited two members of

the former ruling party to join,

but they declined

ment.

institution functioning at pres-

as president last Tuesday.

Mr Bizimungu must try to

respect for universal rights."

divided them in the past.

of the minority Tutsi ethnic r Bizimungu says his first priority is to persuade millions of Hutus who have fled Rwanda to return. That task may be made more difficult by the new government's intention to bring the authors of the Tutsi genocide to justice. "Impunity will not be a condition for rec-onciliation," he says. "Those who have killed must face jus-

country, It may be a genera-

tion before Hutu and Tutsi can

live together again."

But with few magistrates and a non-existent judiciary. ent is the army of the rebel Rwandan Patriotic Front, the new president admits that the task of bringing suspects to which installed Mr Bizimungu trial is beyond Rwanda's capa-

bilities at present. Mr Bizimoneu a 44-year-old former banker, has moved into the former dictator's residence. As if he needed a reminder of Rwanda's recent bloody past, the wreck of the presidential aircraft, which was shot down on April 6 by unknown saboteurs, can still be found in the grounds of the presidential mansion. The assassination was used by Hutu extremists as a pretext to launch their plan to exterminate the Tutsi population and the moderate

Hutu leadership.

Mr Bizimungu concedes the extremists, now in Zaire, still pose a threat to the new government. In the absence of an extradition treaty with Zaire, the remnants of the Hutu army could yet regroup and restart the war. The new government in Rwanda is seeking the co-operation of foreign governments to bring the leaders of the former government and army to justice, and Mr Bizimungu hopes to meet President Mobutu Sese Seko of Zaire this week to discuss the issue

Ousted Gambian president leaves on US warship

A US warship carrying ousted Gambian President Sir Dawda Jawara steamed out of Banjul yesterday while the leader of the coup which toppled him received ambassadors and religious leaders, Reuter reports

Diolomats said the US Navy

County carrying Mr Jawara, members of his family and senior officials was believed to be heading for Dakar, capital of neighbouring Senegal. Religious leaders who met coup leader Lieutenant Yayeh Jameh said he told them that he and Mr Jawara had spoken tank-landing ship La Moure but failed to agree terms for

the president to return.

Mr Jawara fled to the US warship after young army officers on Saturday announced a coup against him after what began as a rampage through Banjul on Friday by soldiers demanding back pay.

mer commander of the 800strong Gambian army, Colonel Officials said 10 Nigerian officers working with the mili-

Boubakar Dada, who was preparing to leave Gambia. The capital Banjul was calm,

the market was open and people were going about their business normally. An over-

tary had been put under house

arrest. They included the for-

ship with the finance minister and inspector general of police.

7pm to 7am

night curfew was in force from the information minister and Vice President Saihou Sabally. Officials said Mr Jawara, the The education minister, Mr first of his two wives Lady Chi-Alieu Badjie, gave himself up lele Jawara, and about 14 of his on Saturday morning. 19 children were on the US Mr Jawara was prime minister when Gambia won independence from Britain in 1965 and became president when it became a republic in 1970.

First meeting for Asia-Pacific forum

By Victor Mallet in Bangkok

North Korea's nuclear programme, the Cambodian civil war and territorial disputes over the islands and oil-fields of the South China Sea will be among the topics of debate today at the launch of an 18-member multilateral security forum for Asia and the

But the foreign ministers attending

the first, three-hour meeting of the Asean Regional Forum (ARF) in Bangkok say they are unlikely to make substantial decisions on such issues until they have reach agreement on the role of ARF itself. The organisation, the first of its kind in Asia, is being founded to discuss Asian security following the end of the cold war. Russia's power in the region has diminished with the collapse of international communism, and the US has withdrawn some of its

Chinese economic and military influ-All three superpowers are members. ARF comprises the six countries in

military forces from the Pacific, while

Foreign ministers of Asean said at the weekend they were ready to accept Vietnam as a member, but did not set a date, writes Victor Mallet in Bangkok.

Asean was established in 1967 by countries seeking to protect themselves from the spread of communism. Vietnam still has a communist

the Association of South East Asian Nations (Asean) - Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand - as well as the US, the European Union, Japan, China, Russia, Australia, New Zealand, Canada, South Korea, Vietnam, Laos and Papua New Guinea.

The various foreign ministers already meet annually for political and economic talks, and regional security has now been added to their list of concerns.

Mr Chuan Leekpai, the Thai prime minister, opened this year's Asean meeting by calling for urgent efforts to avert any armed confrontation that might arise from territorial disputes

government, but the cold war has ended and Asean wants eventually to embrace all the countries of the region to form a common front on economic and security issues.

Vietnam's entry may be delayed by concerns over its willingness to implement mutual tariff cuts under the proposed Asean Free Trade Area.

in Asia. "The competition for ocean space and resources in the South China Sea is a particularly worrisome prospect," he said. "A regional arms race is another concern. The creation of some kind of regional arms control regime can deter arms build-ups."

Some ARF members, led by Australia and encouraged by the US, want to ensure that the organisation develops quickly and begins to take concrete measures to improve security. They also want officials of the member countries to meet more than once a year. China, on the other hand, favours a slower start for ARF, apparently because it does not want to become enmeshed in multilateral

negotiations over territorial disputes when it has so much clout in bilateral

Several ideas for enhancing regional security have already been aired ahead of today's inaugural meeting. The first is an exchange of defence white papers, so that each government can understand how the others perceive their strategic interests and the threats that face them.

Another proposal is to establish a regional arms register, especially since some ARF members have yet to disclose details of their weapons to the United Nations register. The need to settle territorial dis-putes is likely to remain near the top

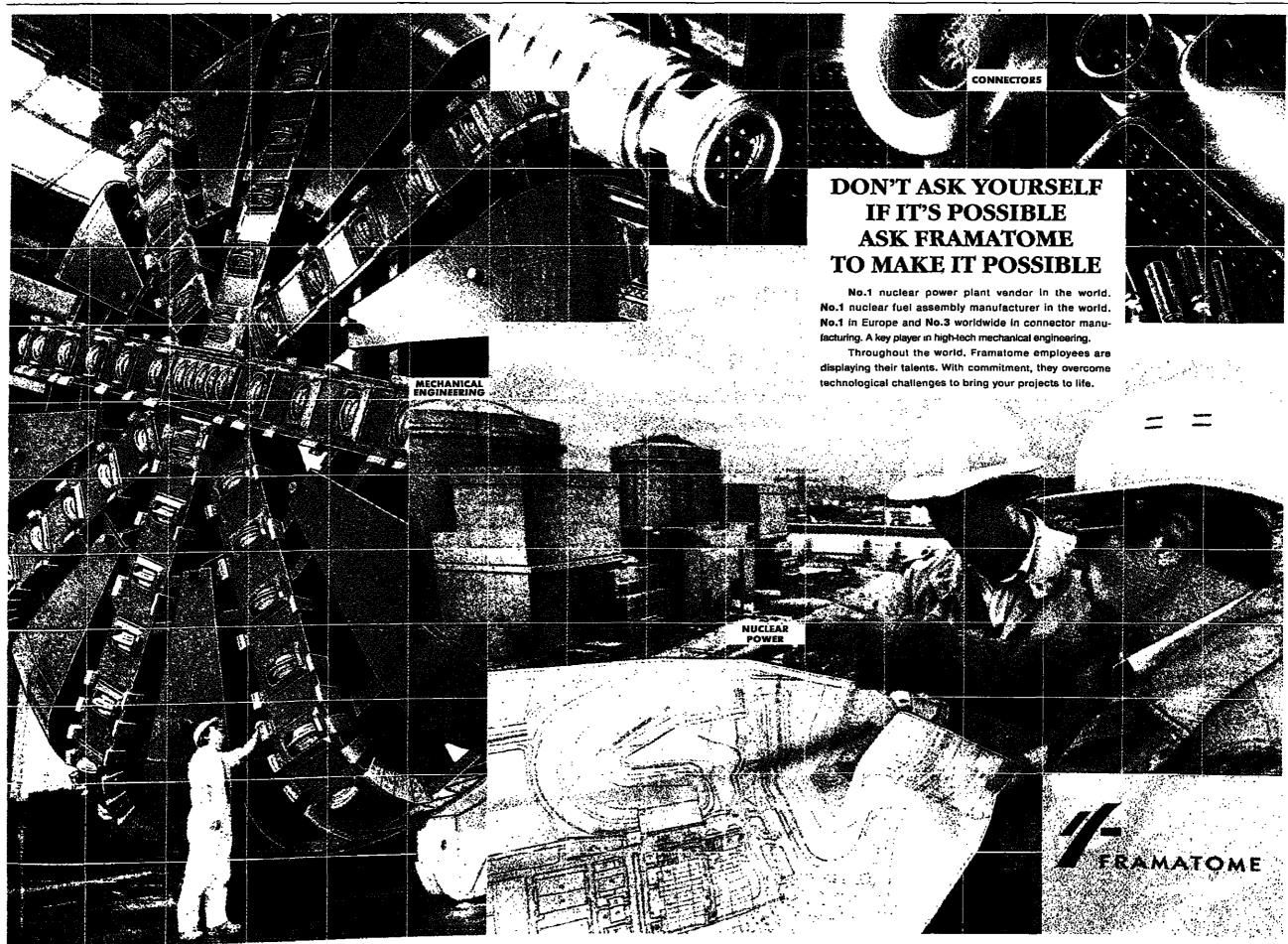
of the agenda, especially in and around the Spratly islands in the South China Sea, where six Asian countries have overlapping claims and China and Vietnam have both awarded oil exploration conces in disputed zones. One suggested solution is a "joint development zone" for oil and gas modelled on the offshore zone now being exploited by Thailand and Malaysia.



namese border yesterday.



Real power, however, is expected to remain in the hands of Gen Paul Kagame, the military commander who formed an army of Tutsi exiles in 1990 to fight the Hutu dictatorship of Gen Juvenal Habyarimana. Gen Kagame has taken the posts of defence minister and vice-president. Mr Bizimungu will not say how long the RPF-installed government intends to remain in power. The government has



Democratic leaders assess tactics on healthcare

Tor much of the summer. A single reform bill must somehow take shape, report George Graham and Jurek Martin ambitious attempt to overhaul the entire US healthcare system had disappeared into a maelstrom of detailed legislative drafting and behind-the-scenes political dealing.

Even the intervention last Thursday by the Democratic leadership, with the approval of the president, to draft a new compromise bill does not, per se, transform the maelstrom into a quiet, pellucid pond.

For the task of the Democratic leaders of both chambers - Senator George Mitchell on the Senate side and Con-gressman Richard Gephardt for the House of Representatives - remains much as it was. This is to work to pull together a single bill from the heterogeneous versions presented to them by separate committees.

But the different rules and traditions of each chamber present each leader with a very different tactical challenge .

The Senate's free-flowing rules of debate mean that virtually any amendment can be brought up at any time. Mr

produce a single working bill (with luck, by the end of this week) which could then be debated for weeks on the Senate floor.

His challenge is to bring together senior Democrats such as Senator Edward Kennedy, whose labour committee passed a hill closely resembling Mr Clinton's proposal, with the finance committee centrists who produced a very different reform plan relying largely on improvements to the insurance market, and falling a long way short of the president's goal of universal coverage.

In the House the hand-to-hand fighting will take place not on the floor but in the rules committee, which is dominated by the Democratic leadership and the chairmen of the main committees. This committee can decide which amendments and which rival plans come up for debate. The leadership is expected to adopt a "king of the hill" strategy, under which the last version to



Mitchell: weeks of debate possible on Senate floor

eliminating previous versions. The timing of a House bill, however, is problematic. Many members are wary of being "BTU-ed" again; they fear a repetition of the battle over the budget in 1993 when they were cajoled or coerced into casting a difficult vote for Mr Clinton's

British Thermal Units (the common measure of heating energy) in fuels, only to see the BTU tax dropped in the face of Senate opposition. The House may, therefore, seek to open debate after, or at least at the same time as, the Senate.

In both chambers, however, the employer mandate - a cornerstone of Mr Clinton's plan under which employers would be required to provide health insurance to all their workers and pay for 80 per cent of its cost - is seen as having at best an outside chance of survival. Senator Kennedy has mooted

plan that seeks to gain centrist support by requiring employers to pay only 50 per cent, and not obliging them to cover their workers' dependents. Mr Mitchell has endorsed this approach in prin-

Even the backing of these two titans, however, still falls a long way short of commanding a majority.

The administration ran the

lines in this process, until the White House's strategy session with the Democratic leadership last Thursday night left something of the impression of a common purpose.

Mr Clinton claimed on Friday that there was agreement on the broad principles - guaranteed universal coverage, if not necessarily by 1998 as he had proposed, quality and choice for the patient, emphasis on preventative and primary care, and cost contain-

But until then, both he, his wife and a phalanx of administration officials had been trying to fight fire (the unbelievable blitz of special interest commercials attacking the gov ernment plan) with fire of their own. Typical was a speech by Mr Clinton two weeks ago in Pennsylvania on who has comprehensive medical insurance

"The politicians have it. The wealthy have it. The poor have it. If you go to jail you've got it. Only the middle class can



Gephardt: battle will take place in rules committee

lose it. I don't think that makes much sense in Amer-

The understanding with the Democratic leadership did not prevent Mrs Hillary Clinton and other officials from fanning out around the country to

ington from all corners to campaign for whatever bill the Democratic leadership may

But the administration role for the time being is mostly limited to providing computer regressions and cost estimates for the variations being discussed by congressional staffs as they try to piece together a

That jigsaw work is still difficult to complete, for a number of pieces are missing. One of the principal ones is the official cost estimate from the Congressional Budget Office on the plan produced by the Senate finance committee. The CBO is expected to show that the scheme falls \$80bn to

over the next five years. This is potentially a damaging blow to a plan that has until now been hailed as the most centrist version of

\$100hn short of financing itself

Although some White House officials would still dearly love to produce a bipartisan bill,

winning over more than one or two Republicans in the Senate. Senator James Jeffords of Vermont seems the most susceptible, though Senator Bob Packwood of Oregon, his reputation already grievously damaged by charges of sexual harassment may seek to redeem himself by working to pass a cause with which he has long been associ-

most have given up all hope of

That leaves the administration searching for the kind of wafer-thin majority that passed its budget in 1993, and extremely vulnerable to the defection of Democrats who feel strongly about ancillary

issues.
Potential coalition-breakers include the tobacco tax, which will finance much of the reform's additional costs, and the question of whether abor-tion should be included in a nationally mandated benefits

But unlike the budget, where individual elements could be traded away, the healthcare reform has to work as a complete system - or it could end up making everything worse.

Key terms and issues in debate

■ UNIVERSAL COVERAGE: The bottom line of the original Clinton plan was health cover for all Americans, the only exceptions being specific social or religious groups with objections to inclusion. Of the four congressional committees that approved versions of healthcare legislation, only the influential Senate finance committee rejected this demand. It opted instead for a target of 95 per cent population cover by 2002. A commission would recommend mandatory measures if this target were not met. However, the Senate in particular may take its lead from the committee's failure to back universal coverage and President Clinton has now signalled flexibility. ■ EMPLOYER MANDATE: Another cornerstone of the Clinton plan, this requires employers to pay the bulk of their workers' health insurance costs - 80 per cent in the administration's proposals. However, the Senate finance committee also rejected this concept, again prompting Mr Clinton to hint at compromise. Joint employer/employee mandates have been floated as a way of resolving this toughest question in healthcare reform - who

■ COST CONTROLS: All the versions of healthcare reform legislation approved by congressional committees envisage some form of cost containment measures, such as taxes on expensive premiums, fee schedules and cost targets or outright caps on how much premiums can be raised each year.

■ TAXATION: Apart from employer and employee mandates extra taxes have been proposed to pay for health reform. These include extra taxes on cigarettes, guns and ammunition, and ents on some big emplovers.

■ HEALTH MAINTENANCE ORGANISATIONS: Organisations which offer consumers a range of health benefits for an annual fee, largely using medical practitioners under contract. idation in the healthcare industry and consu to cut costs are strengthening the HMOs independently of the

progress of healthcare reform legislation. ■ FEE-FOR-SERVICE: The traditional American way of doing medicine, where doctors are paid by patients or their insurers for each consultation or treatment. Specialist (and therefore expensive) doctors are already coming under pressure from the HMOs and the more standardised cover they offer.

of congressional committees, insurers will be required to sell a standard benefits package. Measures are also planned to prevent insurers discriminating against the old and the sick.

MEDICARE AND MEDICAID: Existing government health programmes for the elderly and the poor respectively. Current versions of reform legislation envisage the abolition of Medicaid as beneficiaries take up insurance elsewhere, with the government picking up the tab. The House Ways and Means committee approved a massive extension of Medicare to those who could not buy insurance elsewhere.

■ INSURANCE MARKET REFORM: Under all the bills voted out

■ ABORTION: A divisive issue both in and out of Congress that could sink reform altogether. The administration wants abortion cover included in the standard package of healthcare benefits, but the National Conference of Catholic Bishops, which supports health reform, has vowed to fight on this issue.

Struggle for market share puts industry in turmoil

By Richard Waters in New York

The US healthcare industry has not been waiting on President Clinton. Every part of the healthcare chain, from financing through to dispensing drugs, is in upheaval, as companies strive to cut costs or fight for market share.

One result has been a string of mergers and acquisitions: four deals worth a total of \$13.5bn (£8.7bn) have been announced in the past three months alone, making this the most active part of the US corporate takeover market.

The causes for the shake-up can be traced directly to boardrooms, not to Washington.

Take Ford Motor. In 1970 spending on healthcare for its workers amounted to 6 per cent of the US carmaker's payroll costs. Escalating health care inflation (costs rose at general inflation during the 1980s) and an ageing workforce have pushed that figure up to 19 per cent. US companies, on behalf of their current and retired workers and dependents, foot most of the the US's health bill. The cost could be

making them uncompetitive. "Mercedes can start up [in the US] from scratch, hire a younger workforce and not have the costs. They have an immediate advantage," says Mr Robert Ozment, director of corporate and employee insurance at Ford. "The first issue is to get national costs under control. Then we can talk about how you finance the system." The drive by companies such

as Ford to hold down their

costs in this area, under way

of mergers and acquisitions. Companies have used managed care to take control of their healthcare costs. Rather

for some time, has led directly to the indsutry's latest string

than simply paying their employees'ever-rising health insurance premiums without question, they have pursued ways to bring down costs. In its purest form, managed

care involves enrolling an employee in a Health Maintenance Organisation. For a fee, the HMO provides all the employee's healthcare, from prescription drugs to a doctor's appointment. The HMO in turn keeps costs in check by using only certain hospitals or doctors, or by giving preference to certain companies' drugs: this enables them to negotiate voi-

ume discounts HMOs have grown fast, and are expected to provide cover for one in five Americans by other, looser variants on the theme, such as point-of-service plans and preferred-provider organisations, about half all US workers are now estimated to be covered by some form of managed care arrangement.

The growing buying power of these organisations is the single biggest factor shaping the healthcare industry, which accounts for about 14 per cent of the US economy. Their impact is already being felt: annual healthcare inflation fell from about 9 per cent in 1990 to less than 6 per cent last year. Drug price inflation dropped from an annual 10 per cent to 3

per cent over the same period. The impact of this reining-in of price increases has been felt in all parts of the healthcare

• Drug companies, though

7 per cent of total US healthcare spending, have seen some of the greatest upheaval. Unless a drug carries benefits that are clearly superior to rivals in the market, it is likely to be subjected to severe price

their products account for only

discounting. "A lot of research and development spending has gone into copying other people's drugs and then changing a molecule or two. That really isn't helpful," says Dr Jay Crosson, an associate director at Kaiser Permanente, the US's largest managed care group.

The result has been escalating price competition, and efforts by the biggest companies to increase their market share and out costs.

The takeovers have taken two forms. One has been the acquisition by drugs compaagers, large-scale pharmacies which make up prescriptions, usually by mail. By controlling these distributors, which have brought down costs in part by encouraging doctors to prescribe cheaper drues, the manufacturers hope to be able to sell more of their own products at the expense of their rivals. Merck, Eli Lilly and Smith-Kline Beecham have between them paid a total of \$13bn to buy the country's three biggest pharmacy benefit managers in the past year, two of the them

in recent weeks. The second form of takeover has been the acquisition of one drugs company by another, sig-nalling consolidation in an industry which is having to adjust from the high-growth a pharmacy benefit manager it

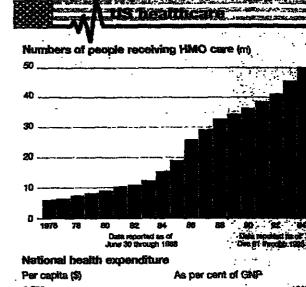
expectations of the 1980s to the prospect of a lower-growth future. Sterling Winthrop, previously owned by Eastman Kodak, and Syntex, a struggling US company, have both been bought by bigger European pharmaceuticals groups.

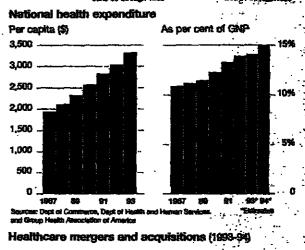
Hospitals - which account for about half all US spending on healthcare - have faced

their own cost pressures. Besides the discounts demanded by managed care organisation, most hospitals also face problems of overcanacity. Better control of the way patients are handled, improvements in surgical techniques and the growing availability of care in the home have all contributed to a shortening of the length of time the average patient spends in a hospital

With too many beds to go around, some hospitals have been closing wards. The coungroup, known as Columbia/HCA since a recent acquisition, has reacted differently: by buying up other hospitals companies, then closing entire sites in areas where there are too many hospital beds, Columbia/HCA has improved the profitability of its remaining

· Health maintenance organisations and insurance companies have also been sucked into the restructuring of the healthcare industry. United Healthcare, one of the biggest of the HMO groups, has itself embarked on an acquisition spree, buying up local HMO companies around the country. It recently agreed to sell Diversified Pharmaceutical Services.





		. • :		
)uyor -	Acquisition	Price (Ston)		
lerck	Medco	6.6		
iciumbia Healthcare*	HCA	5.7		
loche .	Syntex	5.3		
clumbia Healthcare*	Galen Heelthcare	4.2		
型 Lilly	PCS	- 4.0		
mithKline Beecham	Diversified Pherm. Services	2.3		
if Aquitaine	Sterling Winthrop	1.7		
columbia/HCA	Medical Care America	0.9		
Now Columbia/HGA		:		

owned, for \$2.3bn, providing it nesses into managed care with more cash to continue its acquisitions.

Meanwhile, insurance companies, responding to the change in the market have been busy converting their tra-

organisations. One result: an agreement last month between two of the country's biggest insurers, Travelers and Metro-politan Life, to combine their health insurance activities in a new joint venture company.

Growth in drug sales slows

By Paul Abrahams

Pharmacy drugs sales recorded either slower growth or declines in every significant European market during the first five months this year compared with the same period in

The only exception was Germany, the region's largest market, where sales staged a small recovery after last year's steep falls. However, sales were still down on 1992 levels.

The deceleration has been caused by healthcare reforms throughout Europe, described last week by Mr John Robb. chief executive and chairman of Wellcome, the UK drugs

By Guy de Jonquières, Business Editor

A fresh outbreak of trade warfare is likely

unless stronger multilateral trade rules

are drawn up quickly in the wake of last

year's Uruguay Round agreement, a

study commissioned by a transatlantic

group of business and labour leaders and

The study, published by the British-

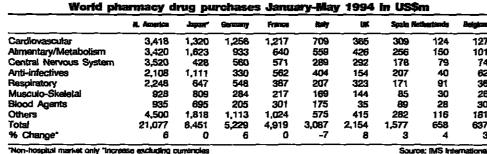
North American Committee, implicitly criticises the thinking behind current US

trade and industrial policies as one of the main challenges to the General Agree-

The conclusions are firmly endorsed by

academics warns today.

ment on Tariffs and Trade.



Sales in Europe's top seven markets fell from \$19.1bn to \$18.2bn, although in local currencies they rose by 2 per cent, according to IMS International, the specialist market research company. The US market expanded by 7 per cent to \$19.67bn, while the Japanese market was static in yen terms

group, as a series of hammer-

but rose in dollars from \$7.7bn The Italian market has been the worst hit in Europe. Yearon-year sales fell 7 per cent

Study urges stronger trade rules

the committee's joint chairmen, Sir David

Plastow, chairman of Inchcape, the Brit-ish services group, and Mr John Heimann,

a former US comptroller of the currency

and senior executive of Merrill Lynch, the

the multilateral trade system are threat-

ened by a growing belief among policy-makers that economic advantage is best

achieved by promoting national champion industries and other monopolistic and oli-

gopolistic forms of competition; enthusi-

asm for this so-called New International

Trade Theory is strong among senior members of the Clinton administration.

The committee believes the principles of

US investment hank.

from \$3.59bn to \$3.08bn. That compares with \$4.7bn for the same period in 1992. The market is set for further falls this year once the Italian govern-ment has decided on additional

10 per cent. The French market, which was growing at 6.5 per cent during the first five months last year, was static in local currency terms but fell in dollars from \$5.18bn to \$4.9bn. In the UK, where sales were up 11.6 per cent during the first five months last year.

price cuts, possibly as large as

market growth decelerated to 8 per cent in sterling as price cuts and government controls on prescribing began to bite. In dollar terms, sales increased from \$2.017bn to \$2.154bn. In Spain, last year Europe's fastest expanding market at 13.6 per cent, growth fell to 3

per cent. In dollars, the market

declined from \$1.817bn to

\$1.577bm

Market growth in Belgium fell from 5.8 per cent to 3 per cent, while in the Netherlands sales growth dropped from 13.4 per cent to 4 per cent.

Though the theory offered some valu-

able insights into international trade, pol-

icles based on it might not deliver the

Such policies were also likely to distort

markets and provoke retaliation unless

further multilateral agreements were

reached soon to liberalise non-tariff barri-

ers, curb subsidies, reform anti-dumping

tional Trade Theory and Post-Uruguay Challenges, by Prof F M Scherer and Dr

Richard Belous. £10. British North Ameri-

can Committee, 35/37 Grosvenor Gardens,

London SW1W 0BS, Tel: 071-828 6644.

Unfinished Tasks: The New Interna-

regulations and restrict cartels.

expected benefits.

Salinas to play on trade expertise in WTO fight

Aides say Mexican president will emphasise his political experience, Damian Fraser says

President Carlos Salinas will launch his campaign to head the new World Trade Organisation after Mexico's August presidential

Advisers to Mr Salinas say that for domestic political reasons he will make no public pronouncements on the posi-tion until September. He wants to avoid accusations that he is putting personal ambitions before the country's interests. However, aides have outlined

the sort of campaign he is expected to run. He will emphasise his record as president of Mexico, which makes him the best known of the four contenders, his long experience and interest in international trade issues, and his belief that the WTO should not be sidetracked from its main objective of promoting free trade and reducing protectionist barriers.

The Mexican government expects the US to back Mr Salinas's candidacy. It also reckons Latin American countries, apart from Brazil, which has its own candidate, and Argentina, will, as they have already promised, support the Mexican president. Mr Manuel Tello, Mexico's foreign minister, was in Chile this week drumming up support for Mr Salinas.

Mr Salinas believes that point number one on the agenda is to make the WTO an efficient and effective institution to promote freer trade in the world." As head of the WTO. he would have "to make sure the multilateral system and Uruguay Round work properly,"
Mr Salinas has reservations

about incorporating strict labour and environmental standards in world trade laws, as the US wants. An aide said Mr Salinas believed the linkages between trade laws, environment and labour conditions needed to be studied further, and that agreed-on standards "should never be an excuse to build protectionist barriers." President Salinas sides with most developing countries in

believing that the best way to protect the environment and labour rights is by promoting trade and raising the incomes of poor countries. Nevertheless, under the North American Free trade Agreement, Mexico bowed to US pressure and agreed to

accept fines or sanctions if found not to be enforcing some of its own labour and environmental laws. In the Nafta negotiations, President Salinas was more willing to subject enforcement of Mexico's environmental laws to US and Canadian scrutiny than enforcement of domestic labour laws.

An aide stressed that Mr Salinas would set an agenda on the so-called new issues in bers. Mr Salinas, he said, had a "deep knowledge" of both first and third world countries, which might make it easier for him to appreciate the different interests of participating countries, and build a consensus

among members.
The long drawn out negotiations over Nafta have made Mr Salinas familiar with the key issues of international trade. He was closely involved in the Naita negotiations, personally taking many of the key decisions on where to give ground to the US, and the same kind of hands-on approach could be expected if he was given the WTO iob, the aide said.

"He combines a unique feature of being able to deal with the broad issues and also to get into the details." Mr Salinas. who has doctorate in political economy from Harvard University, has been dealing with trade issues since the mid-1980s, when he spearheaded Mexico's entry into Gatt while budget minister.

Although Mr Salinas has pushed through Nafta, and several regional trade agreements between Mexico and other countries and Latin America, his emphasis would be on a multilateral approach to free trade. His aide said he would seek to ensure that regional agreements are consistent with Gatt articles.

Strikes poser for Mandela

By Mark Suzman in

South Africa's new all-race government of national unity struggling to cope with a week-long wave of labour unrest, and there are fears that new strikes may break out, damaging international investor confidence.

The spate of industrial action has been sparked by a 10-day-long strike by 15,000 workers at food retailer Pick n Pay. Over the past few days a number of smaller wildcat strikes in the private and public sector have also broken out. The newly aggressive attitude among workers is being fuelled by raised expectations

resulting from the economy's return to growth after a fouryear recession, and the belief that the new government will be much more sympathetic to wage demands than its whiteled predecessor. The African National Congress, which won the April elections, has strong links with

the trade union movement. However, the government is torn between its natural sympathy for the strikers and its need to reassure businessmen and foreign investors about its commitment to a stable business environment and low

However, violent clashes between strikers and police officers have led to accusations by workers of government bad faith in its labour relations pol-

inflation.

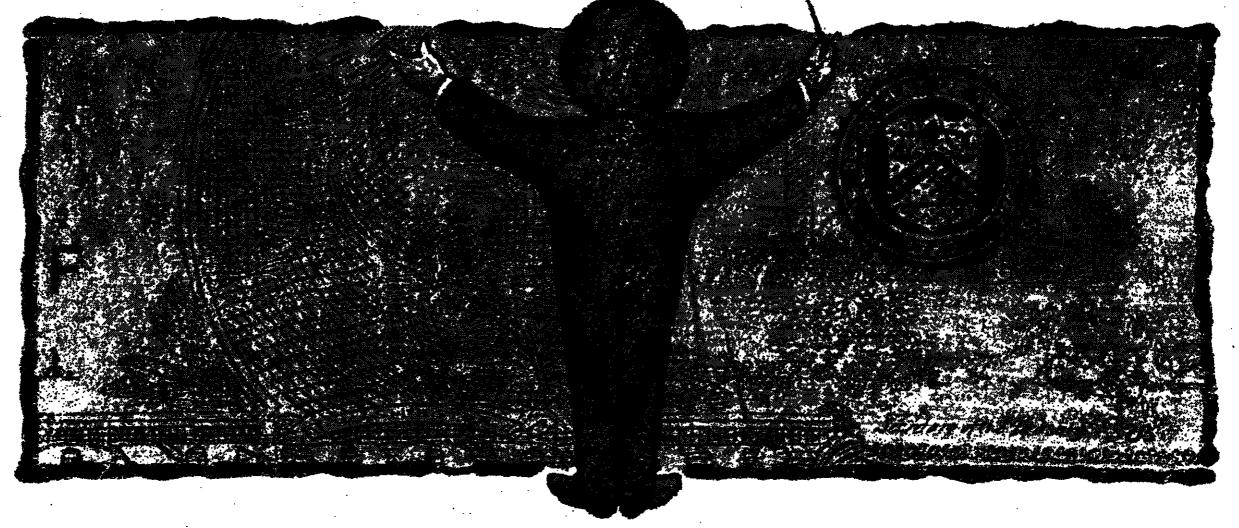




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FOR HORE INFORMATION CONTACT YOUR ST ACCOUNT MANAGER, OR CALL ST ON + 44 272 217217. CONFIRMATION OF THIS JOINT VENTURE IS SUBJECT TO REGULATORY APPROVAL

By John Gapper, Banking Editor

Dissatisfaction with UK banks has led to many British companies switching to foreign banks such as Citibank, Commerzbank and Credit Lyonnais during the past 18 months, a study

The analysis of 243,000 companies by Barclays de Zoete Wedd, the broker, says foreign banks have increased their market share by about 10 per cent. Yet it finds that the rate of switching slowed in the first half of

Not only have foreign banks gained

Most British companies have

not adjusted their investment

criterion for low inflation and

interest rates, in spite of warn-

ings from the UK government

that this is stifling business investment, a new business

The Confederation of British

Industry survey shows that

significant proportions of com-panies still demand that invest-

ment projects should either

yield a rate of return above 20

per cent, or else pay back the

investment within three years.

the government will not

deliver its inflation target.

Their average prediction for

inflation is 5 per cent, com-

pared with the government's

target of bringing it below 2.5

per cent by the end of the par-

the government's appeals to companies to lower inflation

expectations to boost invest-

ment, currently running at rel-

atively modest levels in spite

of the overall pick-up in manu-

The report says that uncer-

tainty about demand appears

to be the key constraint for

husiness investment, although

it admits that another factor is

The survey is likely to fuel

Most companies assume that

survey has found.

slightly higher proportion of low-risk companies, measured by credit qual-

The analysis of companies in business-information group Dun & Brad-street's corporate database is the first to measure the practical effect of complaints about standards of bank service from small companies during the past two years.

However, the study points out that only about 2 per cent of companies change banks each year.

Barclays lost most, with a net 1,591 companies leaving. Lloyds lost the biggest proportion, with 2.8 per cent of its corporate customers switching strongly, but they have attracted a to other banks.

firms who use "payback"

assesment are targeting rates

The pattern varies, with

almost one third of companies

using a nominal rate of return

methods prepared to accept a

return of less than 11 per cent.

A fifth of companies using this

method have lowered invest-

ment expectations in light of

als have remained unchanged

among two thirds of companies

using a payback assessment

and half of those companies

using real rates of return,

Mr Sudhir Junankar, CBI's

associate director for economic

in the UK still depends largely

on the achievement of a more

stable macro-economic envi-

ronment." The Bank of

out the results of its own infor-

mal survey this spring.

adjusted for inflation.

However investment apprais-

of two to three years.

National Westminster Bank was a thur study published today. The anal-ery small gainer of both high-risk ysis of 360,000 UK companies contri-nd low-risk companies. Both Scots buting more than 75 per cent of very small gainer of both high-risk and low-risk companies. Both Scots banks were net gainers of low-risk companies, with Royal Bank of Scotland also losing high-risk companies, Midland lost a net 232 customers in

in the second, and 48 in the first six months of this year. Barclays stood out in all three halfyears as the largest net loser of cus-

the first half of last year, falling to 69

Meanwhile, analysis by BZW shows the financial health of British companies improved sharply in the second quarter of this year as the economic recovery took hold, according to a fur-

Britain's gross domestic product finds a marked reduction in the number which are considered to be in a risky condition or in significant danger of

It is further confirmation that the recovery is gathering pace. Figures last week showed that the GDP was 3.3 per cent higher in the second quarter than in the same period of 1993 the first time since 1989 that growth exceeded 3 per cent.

The upturn in credit quality was particularly marked in the south east. south west and East Anglia.

Property and transport companies improved most strongly among industrial sectors, with manufacturing companies also stabilising,

The study follows optimistic statements from the chairmen of Barclays and National Westminster Banks about improvements in bad debt provisions, and BZW will today raise its forecast for banks' earnings this year by a total of £385m.

The fall in the number of companies rated as significantly risky for banks to lend to is the first marked improvement in credit quality noted since the end of the recession, although quality has risen slowly since the end of last

Britain in brief



Optimism despite new rail action

Railtrack remains optimistic that a deal with the RMT transport union can be agreed in the next formight in spite of the start tomorrow of the first 48-hour strike in the dispute over signal workers'

A senior Railtrack representative said at the weekend that it was "unthinkable" that the weekly strikes would still be occurring on August 12, the earliest date by which the 500 RMT signal supervisors could join the strike.

The supervisors are being palloted on joining the strike and the result is expected by August 4. If they do so it will become much more difficult for Railtrack to maintain the 25 per cent to 30 per cent service it hopes to run over the next two days.

Insurer to test salesforce

The salesforce of Royal Insurance, one of the UK's largest insurance companies. will tomorrow sit examinations to assess their professional competence at the request of Lautro, the industry's regulator.

Royal Insurance's decision to re-test its 1,000-strong salesforce on their knowledge of products and the financial services market follows a visit by Lautro in May, which found weaknesses in the company's training schemes. Lautro, which will run

further checks in the autumn. asked Royal Insurance to reassess its salesforce and strengthen its supervisory programmes.

Royal Insurance's move highlights increased vigilance by regulators about standards of selling in the life insurance and pensions industry. The industry has been accused of using high-pressure sales

Transport emission to rise

Transport will overtake power generation as the sector emitting the greatest amount of carbon dioxide by the end of this decade. Yet demand for transport fuel will slow if the government sticks to its target of raising road-fuel duties by 5 per cent in real terms every year, according to a study of energy and the environment by Cambridge Econometrics, the Cambridge-based

The study found that while emissions from power generation will decline in the years ahead, those from transport will continue to rise - particularly from road transport which accounts for more than 90 per cent of all transport emissions. But the rate of increase will slow.

Salary gap 'narrowing'

The salary gap between male and female executives in the UK is narrowing fast, according to the latest quarterly pay survey by pay and benefit consultants Sedgwick Noble Lowndes.

The survey also finds that the downward trend in executive pay rises has been reversed and that executive pay increases are now nearly 50 per cent higher than the rise in average earnings, which is 3.75 per cent. The news of the narrowing

pay gap for women executives follows recent figures showing that the number of women managers in Britain's top organisations is falling. Figures from the Institute of Management showed the

proportion of female senior managers and directors had fallen from last year's 10.2 per cent to 9.5 per cent. The latest figures show that in the past 12 months the average increase in women's base salary was 5.4 per cent

compared with 5 per cent for Their male counterparts. A year ago the average rise was 6 per cent for women compared with 5.4 per cent.

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The statistics, drawn from a database of 5,199 executives in 407 companies, show a consistent pattern over the past four years, with women receiving up to a fifth more their pay awards.



Mounted police and some in riot gear moved in to disperse civil liberties demonstrators yesterday after they attempted to scale the gates outside the prime minister's residence in Downing Street. Violence flared in Whitehall as an estimated 18,000 banner-waving protesters from all over Britain marched from Hyde Park to Trafalgar Square for a rally against the proposed criminal justice bill PA

Blair in strong defence of the family

By Philip Stephens, Political Editor

Mr Tony Blair, newly-elected leader of Britain's opposition Labour party, yesterday eschewed the leftwing liberalanalysis said the results showed "long term investment ism of his party 's past in favour of a strong defence of the family as a central component of social cohesion. England said the survey bore

In a further step towards repositioning his party in the political middle ground, the Labour leader said that "com-mon sense" rather than ideology would be the driving force behind its approach to social

policy.
But he found himself under strong attack from the Conservatives over education policy, with ministers saying that Labour would ignore the wishes of parents by returning grant-maintained schools to the control of local authorities. Mr John Major, the prime

speech later this week to argue that Mr Blair's election has not closed the gap between the Conservatives and Labour on the key issues of individual choice and responsibility.

minister, intends to use a

Mr Blair, in comments likely to irritate the left wing of his party, emphasised the need for government to recognise the family as "the essential, stable social unit".

and sustaining the family unit. But parents would be obliged

leader he attacked the Conser-

vatives for "stigmatising" sin-

gle parents, most of whom had

not chosen to bring up their

Mr Blair added that social, education and training policies

under a Labour government

would be geared to supporting

children alone.

very quickly by "slash the rate of thousands of and burn" farming methods. trees a minute, how can planting just a handful of seedlings make a difference? New tracts of tropical forest would then have A WWF - World Wide Fund For Nature tree to be cleared every two or three years. nursery addresses some of the problems facing people

that can force them to chop down trees. Where hunger or poverty is the underlying cause

of deforestation, we can provide fruit trees.

The villagers of Mugunga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The Markhamia lotes trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced.

These tree nurseries are just part of the work we do with the people of the tropical forests.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.) WWF fieldworkers are now involved in over 100

tropical forest projects in 45 countries around the world. The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

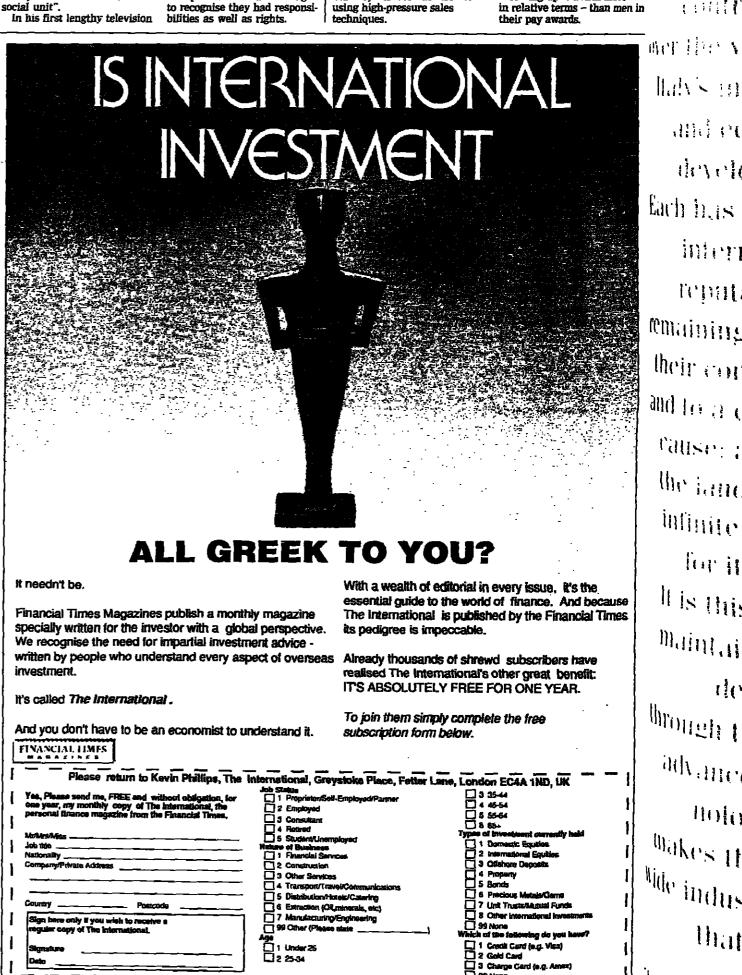
Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy,



WWF World Wide Fund For Nature

International Secretariat, 1196 Gland, Switzerland,

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1994 witnesses the birth of a new Group combining tradition, care, culture, and value in fact, the best of Italy. The "Cirio" Group

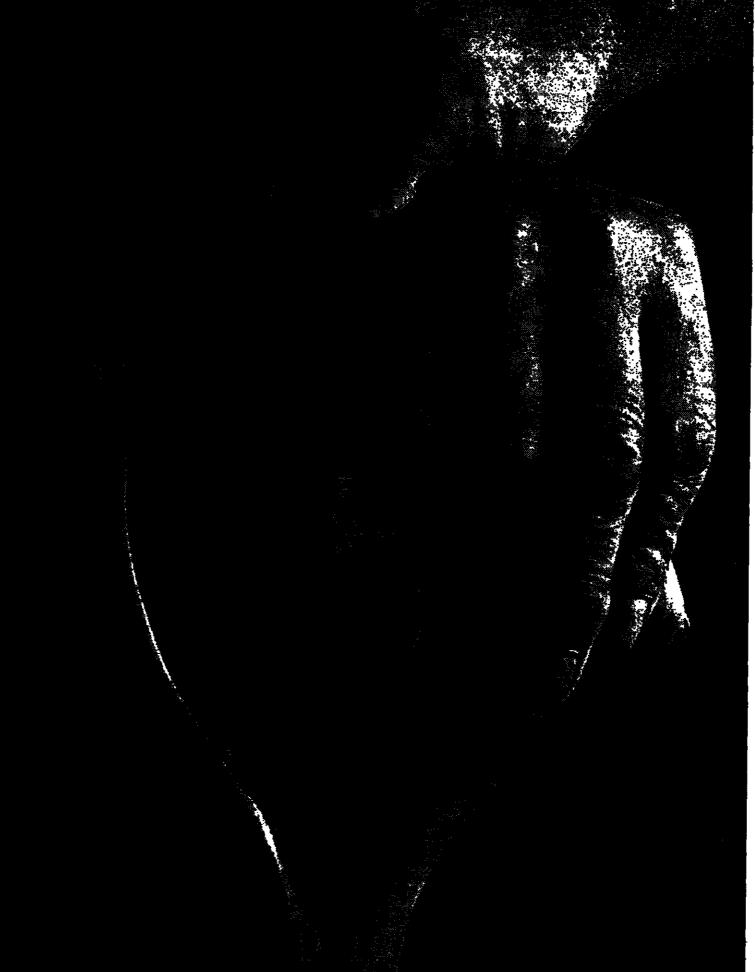
And it's impossible not to be proud of

"Mr. Cirio" who, so many years ago had the in-

spiration to protect high quality tomatoes in a

tigious as Ala, Berna, Cirio, De Rica, Matese, Optimus, Polenghi, Solac, Stella and Torre in Pietra. Each of these names has been contributing, over the years, to Italy's industrial and economic development. Each has built an international reputation by remaining true to their consumers and to a common cause: a love of the land and an infinite respect for its fruits. It is this cause, maintained and developed through the most advanced tech-

nology, that, beginning today, makes the "Cirio" Group a worldwide industrial and financial reality that Italians can be proud of.



created a precedent in Italy by transferring production from north to south, demonstrating, through investment, the unity of the national territory. We are also proud of "Mr. Polenghi", who, all those years ago, rationalised milk production by introducing selection, quality control and hygiene, from cattle feeding to the milk preserving process. A demonstration, once again, of how industry and agriculture go hand in hand. It all started between 1860 and 1870. Since then, after endless technological and scientific advances, nothing has changed. We have retained the same devotion to food and the same creativity and dynamism. That's

practical tin.

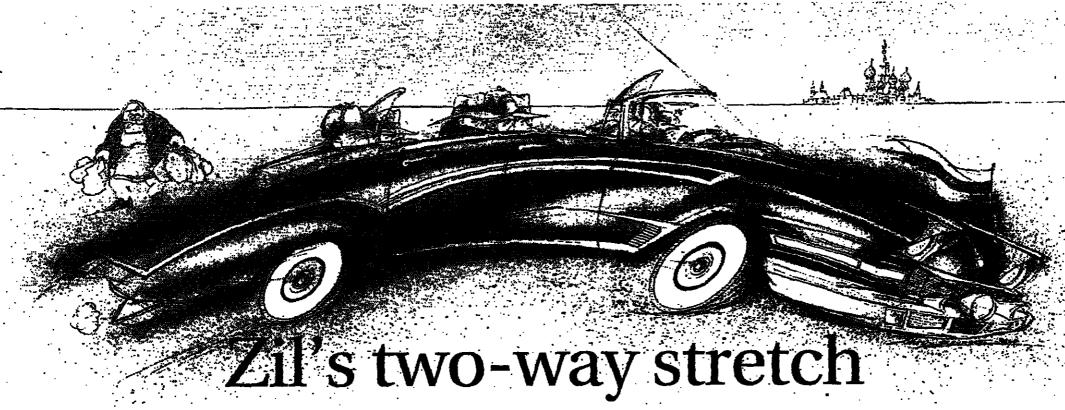
The same man who

why we say with pride, that in the "Cirio" Group, it is not difficult to recognise a piece of Italy we love. It is a true Italian portrait.

The Cirio Group brands are: Ala, Berna, Cirio, De Rica, Matese, Optimus, Polenghi, Solac, Stella, Torre in Pietra.



YOU?



The successful restructuring of the Russian flagship company could act as a catalyst for change, claims John Lloyd

it by bit, Russian reform is ceasing to be a matter of exclusively macroeconomic and political consideration and is being devolved to the enterprises and to their managements. The changes which Russian managers must now usher in dwarf, in their scale, anything likely to face their western counterparts. But if Russia is to succeed, these western counterparts will be increasingly drawn into the great drama which surrounds the integration of Russia into the world economy.

Privatisation has passed through

its first stage - in which almost three quarters of the state property were pushed out, higgledy piggledy, into private hands through the medium of privatisation vouchers issued free to every citizen. A second stage, the period of strategic investment and company restructuring, is set to begin. Within this process, there is a small group of massive, flagship companies where a successful restructuring would act as a catalyst for change far beyond their own limits.

One such is Zil, the Zavod Imena Ligacheva or Factory Named after Ligachev (its founder) - once called Zis, or the Factory Named after Stalin. It gave its name to the vast limousines built since the 1920s for the state and party elite; it was the biggest lorry producer in the former Soviet Union; it produced small,topof-the-range buses; it made a wide range of engineering products for other plants; it had a large, whiteods division. Says Alexander Vladislyaviev, its present chairman: "It got the best, the cream of the Soviet engineers: it got the best equipment. When the state decided to set up another big truck plant [Kamaz, in Tatarstan] Zil engineers went out and did it."

It was politically privileged and untouchable. Its long-serving director, Yevgeny Brakov, was a member of the Central Committee of the Communist Party. In his office next to the Zil museum, where the

pointed, and had shed real tears.

that Freddie Laker was close to

tears when Laker Airways collapsed

and that Sir Kenneth Berrill had a

lump in his throat when he failed to

be reappointed as chairman of the SIB. I have also heard that Michael

steady progress of the enterprise from workshop production to vast combine was displayed, he was first among the country's industrial barons. He was sure of the first call on resources, his products were on every state farm, in every army division, in many homes - and beneath the bottoms of the Politbureau members as they were

whisked to and from the Kremlin. Its crash has paralleled that of the Soviet Union and in its own way is as spectacular. The writing might have been on the wall when Brakev was put up by the party to oppose the upstart renegade Boris Yeltsin, when the latter ran for the Moscow deputy's seat in the USSR Supreme Soviet elections of March 1989 - and received 392,633 votes against Yeltsin's 5,118,745; it was an early sign that the Party-state web, without which Zil had no meaning, was beginning to unravel.

With the ending of the Soviet Union in December 1991, the tolling of the bell for Zil grew louder. It suffered from the 1992 cuts in the defence budget - nearly half its trucks went to the military. It suffered as agricultural subsidies were hit - the other half went largely to the state and collective farms. People bought fewer fridges, as more and more of their disposable incomes went to buy the produce which went inside them. The government tended to buy from Mercedes, and the nouveau riche would rather be seen dead than in a Zil (which do, indeed, make good hearses). By 1993, the crisis was upon it.

Instead of restructuring, Brakov went back to his Bolshevik roots: in early 1994, with many of his workers part-time and their pay dropping, he encouraged them to picket the White House (government offices) to demand state aid. His point was partly taken - though it did him no good. Both the federal government and the Moscow City government became alarmed. Zil was just too big, too well known, too prestigious to go belly up. It was the equivalent of Chrysler, of Rolls Royce. The market could not be allowed to decide its fate.

From the latter half of 1993, Russian ministers began voicing concern about Zil: Alexander Shokhin, the deputy premier for economics, used a visit to Washington to ask the International Finance Corporation to get involved. The European Bank of Reconstruction and Development was also coaxed in. Yuri Luzhkov, the Moscow mayor began to exercise the rights and responsibilities, which a 25 per cent stake held by Moscow City Council following privatisation gave him. He promised to assist and did so by taking over the 500,000sq m of anartments it owned - and with these the kindergartens, the rest homes and the cultural and leisure facilities it ran.

Zil was just too big, too well known, too prestigious to go belly up. It was the equivalent of Chrysler, of Rolls Royce. The market could not decide its fate

But this kind of relief was a palliative. The change had to come from within - and at the top. Following government pressure and behind-the-scenes dealing, Zil's main shareholders - Moscow City Council, AMO Bank, the Mikrodin finance group and its workers and managers (who hold 40 per cent of the shares) - gathered in Moscow's Luzhniki Stadium and elected a new board of directors with Vladislyayley (representing the Moscow City Council) as chairman.

Vladislyavley is a man of power. A former member of the Central Committee, his post-Soviet career has been built up in tandem with that of Arkady Volsky, head of the Russian Industrialists Union, whose deputy he is (Volsky was once the leader of the Communist Youth League, or Komsomol, in Zil). Now. he says he is focused on being a man, Vladislyavlev moved Brakov

Novodiesel; Paccar is to make heavy trucks with Novodiesel engines. Talks are also going on with General Motors and Renault. Zil offers these companies an existing manufacturing base for joint

company chairman - and doctor.

As the international financiers

who are now huddled round Zil

attest, he has moved with speed. In

doing so, he has demonstrated the

mixture of flamboyance, use of

Soviet-era connections, partial

grasp of current management prac-

tice and inside-government horse

trading which is bound to be repro-

duced in other big Russian restruct-

First. Vladislyayley capitalised on

what was already partly in place. The US companies Caterpillar and

Paccar, keen to enter the Russian

market, had already moved to form

joint ventures. Caterpillar had cre-

ated a joint venture to make fuel

systems, and is interested in joint

production of trucks through its

joint venture Novotruck and

engines through a similar entity,

Next, he is constructing a structure where the monolithic combine will be split up. A holding company is being created, which will wholly or partly own subsidiary companies - of which Zil Manufacturing will retain the engineering heart of the enterprise, and other divisions will service and market the products. He has formed an international marketing alliance with the Avtotraktor export group, which has rather mor-ibund subsidiaries abroad and

which still retains, he says, a core of professional staff. Soon after his election as chairaside - he is now a vice-president in charge of marketing - and promoted Valery Saikin, a production man, as general director. The promotion of middle managers to senior positions - he says they are the best people available in Russia,

in the first class" - is going ahead. His Namboyance and imagination shows in his willingness to complement the deals with foreign partners with the appointment of a high-profile "consultant". Currently he is trying to secure the services of Lee Iacocca, the former Chrysler chairman, among others. "They should come here and teach the people in Zil what they know. We need a special institute for teaching marketing and sales. Zil never had to sell anything before."

Vladislyaviev has also used his pull within government. He has secured promises of off-budget sup-port and tax breaks and is arguing strongly (as did the previous management) for increased tariffs to protect the Russian car industry. The government, anxious for the flagship, has committed itself to assisting the continuation and upgrading of the gas guzzlers. They will order 24 each year, and put up some \$70m (£45m) a year for remo-

This, the "masterplan", is still sketchy and raw, still being developed. Vladislyavlev and the Russian government are pushing hard, trying to persuade the international financial institutions to commit money, make connections. He has won admiration for his bustle and energy. But will it work?

The doubts centre round the sheer size of the task of restructuring and the political risk attendant on getting it wrong. Zil is, as Vladislyavlev says, a supreme product of the Soviet era. Shorn of any marketing or finance skills, it has to acquire a new culture from scratch. Its lorry design is archaic (they are still petrol driven) and its once captive markets wholly or partially destroyed. The International Finance Corporation, which helped restructure Skoda in the Czech Republic (a large but still easier task), is hesitant; so is the European Bank for Reconstruction and Development.

"What they need is a white knight which would take the job of restructuring, put in some of their own money and tough out the opposition. But this is so high risk I don't see that coming," says one senior official - speaking, as almost everyone does on this touchy issue, on grounds of anonymity. There is also some question as to

why the two Russian finance companies, AMO Bank and Mikrodin. will not put up the required cash for restructuring. Here one sees a now familiar problem; foreign finance asks why it should invest if the Russians are withholding, while the Russian companies, unsure of the nature of the risk, watch foreigners to see where they will invest before committing their own funds. And Zil waits.

Yet Vladislyavlev, with a good international contacts book and the ambition to "make sure my grandson, who loves to work with his hands, will work in Zil when it is a great Russian company selling to the world", continues to push its

He is offering 10 per cent of the stock (whether existing shares or a new issue is not clear) to a large international finance house for \$60m, with a seat on the board thrown in - a price which, as another international finance official says, "is either a tremendous bargain if it can be saved or a com plete waste of money if it can't".

Russian restructuring is still in the realms of faith. Investment is increasing: a few manufacturers, led by Percy Barnevik of ABB Brown Boveri, are leading the column of western investment into working plants. Everyone, from Victor Chernomyrdin, the prime minister, down, trumpets success over the horizon. A successful management revolution at Zil would bring the horizon much closer.

The fact that Harrods' dress code



DESERT ISLAND MANAGER

Max Hastings

Max Hastings, editor in chief of The Telegraph Group, would be happy to swap his Isle of Dogs country lover at heart, working in London is the base of his life.

Who would you take with you? Jeremy Deedes, Bill Deedes' son who is editorial director. Jeremy is my namy and I rely on him not to do anything foolish. I can't think of anything he would like less than to be stock on a desert island with me, but about three times a day I run into Jeremy's office saying "crisis, Baldrick, crisis".

An additional office item, along with a phone and fax? I'd be inst without a word processor. When I was a teenager and bored in the summer holidays my father would often talk of the challenge of a blank piece of paper. I didn't understand what he meant then, but I do now. But like most modern journalists i can't do it with a pen and paper any more.

Would management from an island work? I would use the fax a lot. The editor I worked for longest and I most respected was Charles Wintour on the Evening Standard. Charles was a great one for rule by abrupt memo and in some ways I mimic his memo style - both the nice ones and the nasty ones.

Confined to an island, what would you miss? 🧸 The stimulus of seeing an enormous number of people. At weekends when I don't see people one complains of the phone always ringing, but then one thinks what would it be like if the phone didn't ring.

What wouldn't you miss? London. One of the highest like this is having to work in an office in London. Canary What certainly has nothing to do with civilisation as far as I understand it.

What would you take to read? At the very least I'd ask to take the complete Trollope:

nnething to drink? A few cases of wine. For the first six months that I was editor of The Daily Telegraph I never draph at hundribne. These days I'd rather suffer the consequences of having a drink then. When I go to impeh and see everyone having Perrier I don't feel jealous. I think it has

And to eat? I'm an unashamed carnivore. I'd. like the fishing that I could do on the island but I'd be scray if I couldn't have mest anymore.

PORI:

become a reverse virility symbol.

Would you survive on an island? Living rough never bothered me I spent 16 years roansing around the world's wildernesses as foreign correspondent and was fine. I also do some preparation. My father was cast away on a ert island by a Sunday newspaper and became ill with scurvy and nearly died. He hadn't done proper research.

You can take just one newspaper The Daily Mail: It is very entertaining and professionally run. I'd also want the Spectator and Country Life to see what is .

happening to house prices.

Christine Buckley

LUCY

When tears are good for business

hen Roger Fernley heard that the bid for London Transport's advertising lost the BSB contract. But all of arm had been referred to the these tales are years out of date, few and far between, and none amounts to a good public weep. Monopolies and Mergers Commission, he went. Far from feeling embarrassed about his outburst, the managing director of British Transport Advertising wrote to the FT last week and told us all about it. I was so surprised to read his letter that I phoned him up to ask whether this was his idea of a joke. domestic difficulties to the massa-On the contrary, he said, he had been angry, incredulous and disapcre in Tiananmen Square. Even more famously, Paul Gas-In so doing, he broke the ultimate cornorate taboo. I have just done some research into tears in business card in the 1990 World Cup. and found barely a wet eye any-where. Robert Maxwell was constantly sobbing, but then he was always a law unto himself. It is said

There are examples of grown men blubbing openly in politics and KELLAWAY sports, often to advantage. Bob Hawke, the former Australian PM, greatly increased his popularity by sobbing over everything from

coigne, the footballer, showed himself to be a human being when he broke down on receiving a yellow But businessmen? Never. The

Green of Carlton was damp eyed in the 1980s on discovering that he had

only time they seem to cry is when seriously frustrated: when they have missed an aeroplane, or cannot make a foreign bureaucrat do as they want. Earlier this month I saw an executive in black tie close to tears at Victoria station having learnt that trains to Glyndebourne were not running.

By shedding these sort of impotent tears, businessmen look foolish. By contrast, to cry at critical moments in a company's history could add a certain something to

the occasion and might encourage others to be more understanding. It would, of course, be intolerable if executives cried at the smallest setback. Displays of emotion can be enough of that in office life already. But on big occasions tears could be called for. If Graham Hearne of Enterprise Oil had wept on losing the battle for Lasmo, peomight have been sympathetic rather than carping away about how he must drop one of his posts as chairman or chief executive. Fernley's tears may not influence those hard-hearted pen pushers in the DTI and at the MMC. But they show he is a human being who is not afraid to admit as much.

It has only just been drawn to my attention that Harrods, the tourist attraction in Knightsbridge, does not let shoppers in to buy its pricey goods unless they are suitably dressed. On the face of it, this seems a bizarre policy. Surely Harrods knows that the customer is

king, and that those in shorts and vests deserve the same fawning serhas been greeted with such suspivice as ones in suits and designer frocks? It is all very well for pubs to cion shows that the customer-is-always-right mentality has gone too far. Sometimes the customer is a specify no work clothes, as they do not want souvenirs from the building site on their upholstery. But a damn nuisance and I admire the pair of designer jeans with a rip on the knee does not hurt anyone. companies that do not stand for it. I now see this is a naive reaction.

Harrods has explained to me that lady customers were offended by sweaty hairy men with their armpits or crotches on display". The store also pointed that something urgent had to be done given that "shopping at Harrods is the most pleasurable thing that many of our customers do all week"

Leaving that remarkable assertion to one side, Harrods is on to something. The image of a business is dependent not just on its own actions, but on the customers it attracts. Just as shops can reasonably tell customers not to smoke. they should also be able to insist on any other standards they see fit. If people do not like it they can

Well done also to Standard Chartered for its fine and upstanding declaration that it will withdraw from any country that relies on bribes or unethical business practice. I shall be fascinated to see how it gets on. The bank does business in a long list of countries where had always thought large and small backhanders were part of the cost of being there. If Standard Chartered stays in those places, that will be proof that stories of corruption are overdone or out of date. Alternatively, it just could mean that no such international operation should make sweeping declarations of that

kind and hope to live by them.

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COMPANY NOTICES

THE FIRST MEXICO INCOME FUND Curacao, Netherlands Antille

Notice is hereby given that the Annual General Meeting of Shareholders of THE FIRST MEXICO INCOME FUND N.V. scheduled for July 5, 1994 at 3.00 p.m. (Netherlands Antiltes time) at the office of the Corporation at John B. Gorstraweg 6, Willemstad,

uraean, Nesberlando Amilles was postponed. A new meeting has now been called to be held on August 8, 1994 at the office of the Corporation at John B, Gorstraweg 6, Willemstad, Currecao, Neiberlands Antilles at 3:00 p.m. The Agenda remains unchanged. Shareholders who have already seat in their proxy do

The Agesta and Assual Report 1993 may be obtained from the offices of the Conand from the Paying Agent mentioned bereapder. Shareholders will be admitted to the meeting on presentation of their sharecentificates or vanchers, which may be obtained from

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FINANCIAL TIMES

BUSINESS TRAVEL DESK

Due to the summer holiday season, the Business Travel Classified Section has been temporarily suspended.

It will resume on MONDAY 12TH SEPTEMBER 1994

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BUZZWORD

driving costs

cars which are usually kept lovingly polished in the garage and away from the rain. Vintage Jaguars, classic Alfa Romeos and peak condition Jenseus are as much a part of the traffic in the summer as newer Toyotas and Fords, except that their drivers look as if they are enjoying themselves more.

If you are waiting for August 1 to buy your new M registered car, think again. Classic cars are not only beautiful; they also offer a rare combination of luxury while saving their drivers money.

cars were another of those 1980s 'overvalued" assets. Prices have fallen, which is good news for someone considering buying one now. One advantage is that,

tax which came into effect in April, is based on the list price of the car. Employees pay tax on 35 per cent of the manufacturer's list price of the car when new, plus the price of any accessories and value added tax. One concession is that the list price is reduced by one-third for company cars which are four or more years old at the end of the tax year.

Forget classic cars which are worth more than £15,000 (and which are over 15 years old) - they will be taxed on their open market value. However, Maurice

Parry-Wingfield of accountant Touche Ross points out that if the car is worth less than £15,000 and is over four years old, the benefit will be taxed according to the original car price and then reduced by one-third because of the car's age: For less than £15,000 there are many commendable vehicles available. Who would balk at, say, a 1978 Mercedes 350SL convertible which has a list price of a relatively paltry £12,500 and a value in the region of £13,500?" he says.

A higher-rate taxpayer choosing this car would pay £1,167 in tax, less than half the amount they would have to pay - £2,492 - on a Mazda MX5 1.8i S, which has an original list price of £17,800. Although the Merc's running costs may be higher than for a new car, Parry-Wingfield points out that one fo the biggest costs when running a car is depreciation and, since the depreciation on the Mazda is likely to outstrip that on the Mercedes, the saving should offset any

Even if you are not choosing a company car but want to buy one for your private use, a classic car still retains an important advantage, in terms of lower insurance premiums, over other cars. Some motor insurers are prepared to charge lower rates as long as the car is old (usually over 15 years) and not driven too frequently. The most common mileage band is for a maximum of 3,000 miles a year, although some

insurers and brokers, including Norwich I mion which has a Collectors' Vehicles policy (0603 622200); John Scott and partners (0252 725555), KGM Motor Policies (081 530 7351); Hall & Clarke (081 908 5611) and Bain Clarkson (0384

Classic way to cut Come the summer and out come

Like property and fine art, classic

through careful choice, a classic car could cut your company car tax bill. The new system of company car

increase in running costs.

policies allow up 6,000 miles.

Scheherazade Daneshkhu



READING MATTER

For those considering recent biographies for a good summer read, a spate of lives of French literary masters should provide some predictably intoxicating blends of art, sex and money.

Graham Robb's Balzac (Picador). the first English biography on this subject for 50 years, tells the splendid tale of the author who coldly calculated that "each night of love cost half a volume". an equation which did not disturb his contemporary Stendahl who, according to his biographer Jonathan Reates (Stendahl, Sinclair Stevenson), boasted of his sexual exploits by marking the dates of his conquests on his braces.

Moving on a few decades, but still

in the same spirit of restless decadence, Joanna Richardson's Raudelaire (John Murray) tells the tragi-comic story of the improvident youth who inherited a fortune at 21, only to blow much of it on an exotic mistress who gave him the syphilis from which he died; there are parallels with Maliarmé, who, according to Gordon Millan's account (Mallarmé: A Throw of the Dice, Secker & Warburg), also failed to reconcile his tormented existence with the radiant purity of his

But who needs 19th century French glamour and scandal when there remains a Kennedy to write about? Joe McGinniss's The Last Brother, the Rise and Fall of Teddy Kennedy (Little, Brown and Company) observes that the man who was probably never fit for presidential office in the first place was further and fatally handicapped by the guilt-driven revenge of the American press who belatedly recognised their inadequacies in exposing the foibles of Teddy's elder

It is a long way from the quiet, unsophisticated life of Joseph Chamberlain. Peter T. Marsh's astute life (Joseph Chamberlain: Entrepreneur in Politics, Yale University Press) sees Chamberlain at the centre of many of the 19th century's greatest social reforms, but denied the ultimate prize of prime ministerial office in Britain by his errors of judgment and changes of mind - the archetypal politician of great influence but

little power. Another forgotten man in need of rehabilitation is Giuseppe Mazzini, the neglected theorist of Italy's Risorgimento. Denis Mack Smith's eponymous volume (Yale University Press) attempts to redress the balance of praise which has usually been lavished more unreservedly on the more glamorous Cavour and Garibaldi. Any man who manages to be admired by both John Stuart Mill and Friedrich Nietzsche...

The outstanding biography of the last few months is Lyndall Gordon's Charlotte Brontë: A Passionate Life (Chatto and Windus), a radical reappraisal of a woman more often seen as a waif whose timid genins was destroyed by years of hardship; fierce survivor who managed, unlike her sisters, "to die with human love on her lips".

Peter Aspden

Federal

If the EU is not converging, its terms of abuse are. As the battle raged between "anti-federalist" and "arch-federalist" last month. Jacques Santer, Commission President elect, was recast as a "non-entity" by the UK press, translated by El Pais, the Spanish newspaper, as "un don nadie" (17 July),

Federal means "government in which two or more states constitute a political unity while remaining more or less independent with regard to their internal affairs" (OED). That, especially the "more or less" part, leaves scope for debate. The word derives from latin fidere (to trust) and foedus (treaty); the Latin foederatus means "bound by treaty". The word evolved into the medieval French federation and then into English.
Federalism has become a label

applied by nationalistic British Conservatives to anyone who believes in European convergence or the ceding of power to Brussels. "Spot the federalist" has become

one of the main pastimes of British euro-sceptics. Anyone tarred with the federalist brush is deemed untrustworthy by the British right wing though scant attention is paid to what the term means. So last month's search to replace Jacques Delors turned upon whether the candidate was regarded merely as a "federalist", a 'centralising federalist" (Jean Luc-Dehaene, the initial candidate) or a "decentralising federalist" (Santer's variety, according to John Major).

Why is federalist, for a British Conservative, a term of abuse, but often a term of approval for many Continental Europeans or Americans?

Federalism stems from the US

REMEMBER, IN ENGLISH FEDERALIST' IS ALWAYS SAID WITH A SLIGHT SNEER



and France in the 18th century. It has European roots but an American upbringing. Strictly it dates from the 1780s in America under Washington, Adams and Madison, creators of the US Federalist Papers: "The powers delegated by the Constitution to the federal government are few and defined" (26 January, 1788). The architecture of the period (1780-1800) is even known as Federalist. Andrew St George



STYLE

Travelling light

The surprising thing about packing a holiday suitcase is that the formula hardly changes from year to year. The more practised you become

the less likely you are to take dozens of things that never get worn. There are certain rules which always apply to a two-week sunshine holiday. The first is you never need anything that dressy (and that includes jewellery). The second, that it helps to keep your clothes in a choice of two or three colours. (Black and white being the most obvious).

A formal evening dress with stockings and stilettos looks somewhat out-of-place, even banal, in a mediterranean setting. You can tell a practised traveller by the way she saunters out to dinner in a white t-shirt and white trousers. accessories consisting merely of a pair of strappy silver sandals and a few brush strokes of bronzer on her

The summer sales in Britain are full of floral viscose dresses (short and long) which can be dressed up (those silver sandals) or down with t-shirt underneath and espadrilles. Look for the Ghost label (Whistles, Harrods, Liberty) and you will find the perfect weight fluid viscose crepe in simple solid colour dresses elasticated waist trousers and long line, loose-fitting tunic tops. Flyte Ostell (A la Mode and Liberty) and Betty Jackson (311 Brompton Road) are designers with a similar philosophy.

Do you really you plan to play tennis and other athletic pursuits. No, unless you buy shorts that are tailored to flatter (Calvin Klein at Selfridges, Levis or Emporio Armani). A sarong skirt, or piece of patterned fabric (for glamour you can use a large Hermes silk scarf) tied round a swimsuit and knotted at the waist is far more stylish as an alternative Cooler too.

Always plan to take items which

double as something else, like the silk scarf that can be worn as a hairband, over the head if visiting a church or as a mini sarong - even as a bedspread if you hate the rented villa furnishings.

Classic shirts always present an ironing problem which is why simple tank-style swimsuits, which work as bodies for the day, are far less like hard work.

Glamourous plunge-neck styles (black is always best) can double as an evening top. The brave can take this years' three-triangle bikini because at least it takes up no packing space. Shoes are the most bulky item,

but the way they transform the image of an outfit is paramount. That crease-resistant viscose dress says one thing worn with trainers, another when with espadrilles and changes further with delicate strappy sandals. Good sunglasses with Polaroid lenses, a sunhat that will survive the journey, and a bag which works for the beach and the market and doesn't look like the formal leather one you take to the office are all

intelligent investments. Illustration: Left: slip dress by French Connection, £41.99 at Fenwicks. Crochet bag by Ursula Beaugeste from £25 in Browns Sale, 23/27 South Molton St W1. Centre: cropped ribbed top. Jeffrey Rogers, £15.99 in Fenwicks Sale. Sarong skirt in silk, £59 Austin Reed Sale, 103-113, Regent Street, WL and branches, (0800 585 479). Right: Sunglasses by Cutler and Gross, Knightsbridge Green, £79. Viscose trousers £80 from a selection by Ghost available at Whistles, 12, St Christopher s Place and branches. Espadrilles £9.99 Laura Ashley, 0628 770345.

Kathy Philips, beauty director of

SPORT: LAURA THOMPSON

LIVING SPACE

house design

to French

Maii order route

Back in 1901, the Ladies Home

Journal offered its readers the

chance to buy a house – or rather

the architectural plans for a house,

designed by Frank Lloyd Wright,

Trois Suisses, the French mail

order catalogue, is now following

French architect, for a slightly more

Starck is the man who sold half a

substantial fee of FFr4.900 (\$932).

squeezers for Alessi and whose

design flair turned the Royalton

and the Century Paramount into the hippest hotels in Manhattan.

on the market since June but,

His mail order house has only been

judging by the first flurry of orders,

"type of place I wanted to live in as

seems set to be another success. The house, says Starck, is the

a child, but didn't." It is a simple

wooden construction on two floor

suit by marketing a mail order

house of its own, designed by

Philippe Starck, the superstar

then a rising star of American

architecture - for a \$5 fee.



Keep betting in the dark

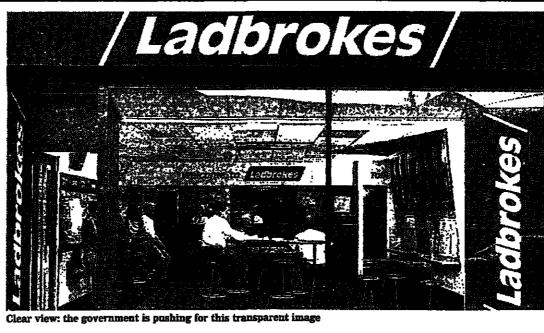
n 1961, the year that murder-ous upheaval in South Africa was putting the country beyond the pale as far as liberal democracy - and, later, cricket - was concerned, a small social upheaval was taking place in Britain On May 1 the first legal betting shops were opened, and a message was printed on the cover of the Sporting Life from Home Secretary Rab Butler to all those who were waiting, in their metaphorical traps, for their first race to the bookmaker. Within its dry paragraphs, Butler's statement conceded that off-course gambling had become so rife it could no longer be ignored. "The old law had fallen into disrepute" - yes indeed, what with policemen directing likely lads to the nearest illegal betting shop. and informing street bookmakers, via a manly and bribe filled handshake, that later that day they might be arrested. The Betting and Gaming Act was a sensible and adult piece of legislation, which admitted the existence of certain. helpfully improper. human impulses and which, by admitting them, ensured that they did as little harm as possible.

Of course, the first betting shops did not set themselves up next door to Harrods and proclaim their trade with decorative shop window displays. They were legal, but they still had the aspect of something illegal; they were covert chambers, made puritanically uncomfortable in order that people should not be tempted to linger in them.

And yet by 1968 there were over 15,000 of these murky little places. Today around £4bn a year is gambled off-course on horse racing, and around £1.6bn a year on greyhounds (as well as all those other bets on whether, say. England will ever win another test match.) Of the 10 per cent tax that is paid on these bets, the Treasury receives 7.75 per cent the government that gave grudging life to the first betting shops also gave to its successors a magnificent

annual present.
In 1986 the importance of gambling was again acknowledged when legislation was passed allow-ing betting shops a tentative entry into the smart, spry, designer world of the late 1980s. They were permitted to serve refreshments, which encouraged people to stay in them for hours at a time, and to show live races on television (previously, punters had stared at the wall and listened to a stream of consciousness voice-over, which passed with surreal ease between Red Rum's third Grand National win and the 3.36 at Huckney Wick).

The shops also began to install



carpets and shiny frontages and smooth lighting. Some of them became very comfortable indeed. Behind their darkened windows lay what was, for many, the perfect living room: coffee, cigarettes, a seat in front of your favourite TV programme and a feeling, even during the hours when the world around you was at its busiest, of absolute

with windows and a verandah all

around, that looks like a modernist

mixture of a Chinese pagoda and a

Starck has built his own version

of the house in a forest on the outskirts of Paris. His "leettle 'ut in

Suisses catalogue. It looks stunning.

His original Charles Eames chairs

and fin de siècle Venetian mirrors

help: but even without them it is

Trois Suisses reckons that it

would cost FFr1.1m to build the

that, so far, it has only cleared the

design with the French planning

recreating Chez Starck in another

authorities. Anyone who fancies

country will have to begin by battling with the bureaucrats.

Alice Rawsthorn

house with the verandah and m without. The only hitch

artisanal wooden facade and of the

easy to see the appeal of the

light streaming through the

clear, bright rooms with

the woods" appears in the Trois

seclusion from that world.

And, for all the agreeable physical changes that have been wrought upon betting shops. it is in that unchanging sense of seclusion that their attraction truly resides: that sense of apartness from the bright streets in which people walk with no knowledge of the gamblers' contrived, complicated and personal communion with the future. Outside the betting shop, into which daylight never intrudes, what do those people in the real world know of the alternative world that the

gambler has fabricated for himself? What do they, with their one Grand National bet a year, know of the terrible hope placed in that horse running at Lingfield, the one

that showed such improvement last time out, the one that the gambler has singled out as his horse and that will maybe infuse him with emotions that soar and rampage and have little, in the end, to do with the desire to win money? What do they know of the gamblers' world, of its rigid codes of behav-iour, of its addictive rhythms, its terse camaraderie, its supreme pointlessness, its powerful reality?

For all of us, life is an attempt to control our fate within the unpredictability of its existence. But the gambler does this in his own way: a way that is compressed, dramatised, specialised and, above all, intensely private, because it is he who chooses the arena within which he will battle against the odds.

This privacy, or self-containment. is something that he relishes. That is not because he is ashamed, but because he is actually rather proud. And if he wants to keep his gam-bling hidden behind the darkened windows of the betting shop, then he should be able to do so.

However, the government has

decided that it is time to dabble again in betting shop legislation, and has advised that the occluded glass which separates gamblers from the world outside should be replaced with something cheerily transparent. It is a ridiculous idea, partly connected with the contem porary urge to sweep all atmosphere out of every institution; but mainly concerned with getting more people into betting shops by attempting to conceal the difference between gamblers and non-gam-

That is an impossible thing to do. My prediction is that the bright new betting shops will lose more customers than they attract. The day that I walk into Ladbrokes to find that the shrewd, squint-eyed old boys have gone home to watch Teletext and do their business over the phone, and the place is full of women sipping tea and placing £2 each way on Housewives Choice, ridden by Lester Piggott, is the day I shall know the late 20th century has destroyed yet another of its links with a more fascinating past.

CONTRACTS & TENDERS



EDITAL DE CONCORRÊNCIA INTERNACIONAL Nº 03.94 REPÚBLICA FEDERATIVA DO BRASIL GOVERNO DO ESTADO DA BAHIA SECRETARIA DE EMERGIA, TRANSPORTIES É COMUNICAÇÕES - SETC DEPARTAMENTO DE ESTRADAS DE RODAGEM DA BAHÍA - DERBA

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O DEPARTAMENTO DE ESTRADAS DE RODAGEM DA BAHIA, através da Corniosão Permirente de Lichaphea, devidamente autorizada pelo Dietor Geral conforme portaria Nº 56591, faz asber aos interessacios que terá resigar "CONCORRENCIA INTERNACIONAL" para contratação de empreses especializadas em obras redovidárias para Execução dos Serviços es Mistingamento e Pavimentação do mecho BA 001/275 - SANTA CRUZ DE CABRALIA - BELMONTE, com 49,80km de extensão. O recebimento des propostas da-se-à às 15.0th do dia 15 de setembro de 1994, na asia de reunidos da Distoria Geral do DERBA, no 2º andar de sua seda, altuada no Centro Administrativo da Bahia - CAB, municiplo Salvador - 8A. Os serviços objeto deste Edital, poderado vir a fazor parte de um eventual tinanciamento do Banco interamentorario de Desenvolvimento - 6ID, dentro do Programa de Desenvolvimento do Turismo do Nordeste - Prodetur, o qual encontra-se em lase de negociação. Poderito perticipar desta lichação, ompresas brastieiras ou estrargeiras que sejam originarias dos países membros do Banco interamentorano de Desenvolvimento - BID. Os interessados poderão obter o Edital, após a efetivação o recoltimento de quantit de RS 200.00 (duzentes resis) e solicitar esclaracimentos junto a Cornissão de Lichação, na sede do DERBA, nos dias interes ao niveriro das 13 às 19 horas, apresentando prova de sua habilitação legal para representar a empresa concornanto. O DEPARTAMENTO DE ESTRADAS DE RODAGEM DA BAHIA, altravés da

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Limited, Registered passiber: 282:1866. Former
company states: Jointelfort Limited. Nature of
business: Frozen food wholesalet/distribution.
Trade classification: 12. Dose of appointment of
Administrative Receivers: 13 July 1994. Name of
petitod appointing the Administrative Receivers:
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BUSINESS TRAVEL

KLM halts flights KLM Royal Airlines has its flights to Lyon, Nice

the three-day strike by French air traffic

KLM usually operates two flights daily to each of the three southern French KLIff is advising

passengers to fly to alternative airports such as Paris and Geneva, journey by train.

St Louis train

St Louis, Missouri, has become one of a few US cities to run a train service from the airport into the city, writes Daniel Green.

The airport is one of the 10 busiest in the US and the city is home to the Anheuser-Busch brewing glant as well as Monsanto in chemicals and McDonnell Douglas in

terospace. Metrofink runs from 5am untit past midnight. Its air-conditioned trains run every eight minutes in peak periods and every 15 minutes at other times. The journey takes 34 minutes and the fare is just \$1.

Air freshness

A study in the August issue mer Reports magazine found that almost a quarter of commercial flights do not meet a basic standard for air trestmess.

About 25 per cent of flights tested had carbon dioxide levels higher than 1,000 parts per million parts of air - the "comfort threshold" for ventilation set by the American Society of Heating, Refrigerating and Air Conditioning

Engineers. Although the magazine tested 44 jet models, it cited only two as veering notably from the average the Boeing 757,

which had comparatively high carbon dioxide levels 1,552 ppm in one case and the Boeing 747-400, which had comparatively

The air in most of the planes tested had levels between 500 and 800 ppm. There were no pronounced differences between

The problem, according to

airline employee unions and researchers, is that newer model planes recycle as much as half of their ventilation air, instead of providing 100 per cent fresh air, as older models

Mozambique unrest Mozambican soldiers. disgruntled over pay, stopped and plundered cars travelling to

Maputo from South Africa on Friday, police and border officials said. Willie Reynecke, of the South African Department of Home Affairs, said the soldiers were

the Lebombo border post, near Komatiooort. The unrest is the latest in a spate of mutinies in recent months by government soldiers and members of the former

rebel movement Renamo.

stopping cars on the road from

Road traffic between to a virtuai standstill on Saturday as Hungarian

entering the country. This was creating

kilometre-long traffic Jams

on both sides of the bord

Border jams Hungary and Austria came

border guards stepped up passport and customs checks following a bomb biast in Budapest. Austrian customs officials said Hungarian border guards were checking the documents and belongings of every person, regardless of nationality, leaving and

Likely weather in the leading business centres

ravellers to Kiev need not be too disheartened by Ukraine's dismal international image. In spite of the dire economic data, you will not starve in the country that was once the bread-basket of Europe. Neither is there any need to buy chocolates, cigarettes or perfumes in duty free before you leave - they are plentiful, and cheaper, in the kiosks lining

Kiev's main streets. Nor, however, should you expect all the comforts of home. Bring wads of cash in small, unmarked notes (but beware of keeping it in a money belt, which is more likely to bring you to the attention of local hoods than offer protection) and all the toiletries you need, and be prepared for

intermittent hot water. Arrival at Borispil, Kiev's international airport, offers the business traveller a useful lesson about Ukraine: the Soviet system is gone. but no effective mechanism has

emerged to take its place.

There is the odd improvement. Entry visas, which once meant standing in long queues outside Soviet embassies abroad, can now be purchased with relative ease and often less expense (\$50) at the Ukrainian border (unlike in neighbouring Russia). However, be prepared to spend a long time waiting in Kiev's dingy airport. A letter of invitation from a Ukrainian organisation. while not necessary, often expedites

Foreigners who do not speak fluent Ukrainian or Russian should expect to pay \$40 to \$50 for a taxi ride to the centre of town. Once a deal has been struck. Ukrainian cabbies tend to be honest and safe. But you may find it reassuring to arrange to be met by your hosts at the airport - this, in any case, is the Ukrainian custom.

The worst part of your visit to Kiev will probably be the accommoChrystia Freeland offers advice for a trip to Kiev, and says you'll need stamina to cope with Ukrainian hospitality

Hosts with the most

dation: the Dnipro and Khreshchatik hotels, on the city's main street, are centrally located and fairly inexpensive (about \$120 a night), but the rooms can be dreadful - small, with uncomfortable beds and disintegrating bathrooms. The Intourist-Rus. on a hill near the centre of the city. is a bit more comfortable and has fax machines and photocopiers, but

the bill is more than \$200 a night. If your visit has any connection with a government institution, try to wangle a room at the National Hotel. Once reserved for high-ranking communist officials (before independence it was known as the October Hotel, as in the October Revolution). the National offers a glimpse of the lifestyle of the ancien regime. The hotel boasts more marble than the European Bank for Resconstruction and Development in London, and an abundance of chandeliers. It is safe,

comfortable and centrally located. Unless you have travelled widely in the former Soviet Union or are visiting Kiev for pleasure, it is best to hire both an interpreter and a driver. Find the interpreter first (best of all, do so before you arrive), and ask her or him to negotiate with one of the municipal cab drivers.

The interpreter should cost \$50 to \$70 a day, and the car about \$40 a day. Businessmen with Moscow offices sometimes bring their Russian interpreters to Kiev, if possible, it is better to hire someone local. While almost all Ukrainians speak Russian, most official functions are conducted in Ukrainian, a language

your Russian translator will only hazily understand

Ukrainian business etiquette is mysterious, but vital to master. Contracts are often awarded not to the company which promises a slightly better deal, but to the people who convince their Ukrainian contacts that they are basically good guys.

To demonstrate your affable and trustworthy nature, expect to spend a long time with your Ukrainian counterparts while consuming large

Contracts are often awarded to the people who convince their contacts that they are basically good guys

quantities of alcohol and food. The ritual routinely begins at 7 o'clock in the morning and goes on past mid-night. Your reward for holding out on the first day is to begin the whole process again at sumrise.

Women, who should expect flamboyant hand-kissing and regular comments on their physical charms, enjoy a rare advantage in this regard. Pleading feminine delicacy, they can generally avoid the worst of the bacchanalia.

If you are left to fend for yourself, or manage to prise vourself away from the overwhelming hospitality of your hosts, kiev has a small but growing number of fairly decent restaurants. The best pizza is at Arlechino, the pizzeria in the Nika supermarket-restaurant complex in front of Kiev's main market. For a more formal, but fairly expensive, meal (about \$40 a person) try the Apollo. just off Khreshchatyk, the city's main street, or Del Mario, an Italian restaurant on vulytsia (Ukrainian for street) Saksahanskoho, not far

from the train station. Tsian Deng, a new and remarkably good Chinese restaurant on Gorky street about 10 minutes from the centre of town, offers a respite from heavy Ukrainian food and the homogenised Italian dishes which are the main fare in Kiev's hard-currency restaurants. A word of warning -leave your Ukrainian friends at home, since only the most cosmopolitan Kiev palates have discovered the pleasures of oriental cuisine.

A charming, and surprisingly affordable, way to entertain Ukrainian partners is by renting one of the boats that cruise the Dnieper, the big river which bisects Kiev and has been one of Ukraine's main trade arteries for more than a millennium. To rent a boat for an evening should cost no more than \$500 and groups often take 36-hour cruises up and down the river at about \$60 a head.

As the moon rises over the river and Kiev's desolate industrial suburbs give way to a verdant countryside, you might forget about the endless bureaucracy and unpleasant bathrooms. Don't bring up the contracts, though, until your party dis-



Word on the street: conditions in Kiev are better than many visitors expect

US warns against Russian flights

The US has warned the public not to travel on succes the Soviet-era airline Aeroflot The government had earlier warned its own officials against travelling on Russian airlines.

David Johnson, a spokesman for the State Department, said no specific incidents prompted

the warning. The department last Monday made public a notice that the

US Embassy in Moscow had issued to US government officials operating in Russia.

It noted that "travel within Russia is often unreliable", adding "domestic air travellers must often cope with unpre-dictable schedules and difficult conditions, including overloading". The statement said "government officials working in Russia are instructed to defer

routine air travel". It warned that until the US Federal Aviation Administra tion has completed its evaluation of the Russian civil aviation system "only official air travel deemed important and absolutely necessary to the US government should be under

taken on Russian air carriers". "Private Americans may wish to consider this information when making travel plans," the State Department

said. But Johnson stressed air travel on Russian lines by US citizens is not forbidden.

THE AMERICAN EXPRESS I I MUST have eaten something weird, can you help me find an English speaking doctor "SERVICES.

Moose, salmon and fibre-optics

By Bernard Stmon in Saint John, New Brunswick

ew Brunswick is not the sort of place where one expects to find a Ministry of State for the Electronic Information Highway. With abundant forests and waterways, the eastern Canadian province is best known for salmon fishing, moose hunting, and high tides in the Bay of Fundy.

- - -

But if New Brunswick Telephone Co (NBTel) and Northern Telecom, the Toronto-based telecoms equipment maker, have their way, New Brunswick will soon gain recognition as a pioneer in the unfolding world of multimedia. $R_{U_{Y_{i}}}$ The aforesaid ministry of state, which was created last February, is set to play a significant

supporting role. Northern and NBTel are partners in a C\$300m (£142m) project which aims to bring a range of video-on-demand services to 400 homes and to six schools in Saint John, the province's commercial centre. within the next 12 months, and to 60 per cent of all phone subscribers in the province by the end of 1998. "Everything we

learn here is going to be used worldwide," predicts Clint Col-pitts. Northern's manager for New Brunswick. The bulk of the funds will be used to build a broadband network based on the province's wholly-digital phone system and an existing fibre-optic network which connects the main centres.

Northern is the overall project manager and systems integrator. It will also supply the fibre-optic transmission equipment and the high-capacity asynchronous transfer mode (ATM) switches required for broadband services. NBTel has gained a reputa-

tion as an unusually entrepreneurial utility. All its 300,000 customers have access to voice mailboxes as part of their basic phone service. BCE, the Montreal-based telecommunications group which controls Northern Telecom, also has a 41 per cent stake in NBTel. "We're small enough to have ideas and big enough to exe-cute them, says John Mac-Donald, NBTel's chief executive, whose business card includes his electronic-mail and Internet addresses.



cable-TV companies into the project. About 83 per cent of the province's homes are already wired with the coaxial cable required for cable TV and broadband signals. Everyone would prefer to avoid the cost of overlapping infrastructures, and the inconvenience to consumers of two set-top control-lers - one for cable-TV, and the other for multimedia services

MacDonald likens the ideal broadband system to a single highway or airport used by competing trucking companies and airlines. He says that we're open to any proposals to Talks are under way to bring accelerate deployment of the New Brunswick's two main network and bring down

costs." But he adds that "If we can't come to an accommodation (with the cable companies). We have to secure our future, and they have to secure theirs.

The core of the new multimedia service will initially be a library of educational videos provided by Magic Lantern Communications, a Torontobased distributor.

An electronic shopping mall and a range of government services will also be available from the start. Viewers will be able to choose which advertisers' promotions they want to see, and to charge purchases to a credit card using the interactive service. Northern hopes later to add an "intelligent agent" which can be pro-grammed with the shopper's personal profile (size, colour preferences, and so on) and can search the database for com-

petitive prices. The inclusion of government services stems from the strong support which information hnology has received from the New Brunswick authoritles. The province's premier, Frank McKenna, is widely regarded as one of Canada's most forward-looking and sensible politicians. McKenna, who often jokingly introduces himself as NBTel's vice-president for marketing, has latched on to the "information highway" both as a means to attract investment to his province, and to improve government efficiency.

A pilot project in two towns allows residents to sit at a single computer terminal to pay property taxes, renew car licences, buy fishing permits. or apply for a birth certificate. Entrants to the annual lottery for moose-hunting licences have in the past submitted their bids at a government office. But this year's "Moose Draw" was conducted entirely

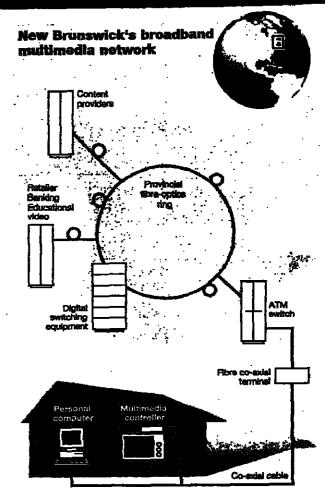
by touch-tone telephone.

Northern and NBTel are confident they have the technology to meet the deadlines for their video-on-demand service. They are less sure however, what services customers will want, and who will pay for

The partners have already begun organising focus groups to help determine the content of their services. A market earch or media consultancy may be brought in for advice. Services will be charged on a at a flat rate, such as that used for cable-TV. Northern and NBTel recognise, however, that viewers may not be thrilled by the idea of paying to enter an electronic shopping mall or government office.

Much of the financial burden is likely to fall on advertisers and other businesses, at least in the early stages. Among the ideas being floated is to refund the fee for opening an electronic shopping catalogue once a purchase is made. Consumeroriented businesses, such as McDonald's, the hamburger chain, could hand out a "smart card" with every purchase, to be used, say, for one hour of multimedia viewing. Content and financing issues

raise more questions than evolving world of multimedia. there is no guarantee that the project will be a success. But Northern's Colpitts confidently predicts that "when the capability is there, all the entrepreneurs and marketers are going to come out of the woodwork and make this thing hum." Other articles in this series have been France (July 4), Japan (June 13) and Italy (May 30).



Panamsat raises stakes

By Andrew Adonis

Panamsat, the private satellite operator which competes with Intelsat, earlier this month launched the first of three new satellites aboard a French Ariane rocket from Kourou in French Guiana

The launch of Panamsat II is a key step in the company's aim to establish itself as a global operator competing not just with Intelsat, but with smaller regional satellites such as Astra in Europe.

In November Panamsat II will be followed by Panamsat III, which will cover the Atlantic, and next April by Panamsat IV, which will cover the Indian Ocean, acting as a bridge between Europe and

"The three satellites will give us between six and sever times our existing capacity, says Fred Landman, chief operating officer, from

Greenwich, Connecticut. "It will put us in a far stronger position to erode the hold of intelsat on this market."

Panamsat boasts a cast of blue-chip clients, from international telecoms operators such as KDD of Japan to most of the main US broadcasters. It has already signed up 12 customers for Panamsat II, although the satellite will not be operational for another few weeks.

What is the key to Panamsat's appeal? "We are private enterprise in outer space," says Landman. "We are customer-oriented, and have a rapport with more than 300 users with specially-tailored services."

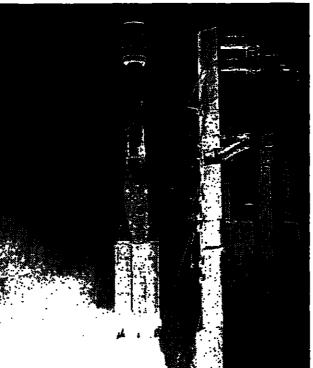
He expects the satellite market "to explode" in the next two years. "When we started as the first private international system in 1986 the world was one big satellite monopoly. But the telecoms

upon which we depend have themselves opened up to greater competition since then. opening up an array of new opportunities for us "

Broadcasters account for

two-thirds of Panamsat's revenue; the rest comes from telecoms operators. "I expect that balance to continue," says Landman. He sees significant telecoms opportunities in developing regions - Latin America, Africa, Eastern Europe, Asia - where fixed infrastructure is either unavailable or not of sufficient standard to provide the quality of communications required by the corporate sector. The total cost of the three

satellites will be \$720m. It is a hefty sum to recoup, particularly with the launch of other private systems such as Orion. But Panamsat points to a committed investor base, boosted recently by the Mexican broadcasting company Grupo Televisa SA.



Panamsat II is Isunched from French Guiana on July 8

Interactive boom for US

By Raymond Snoddy

Interactive digital media will expand sharply in the US, and be the fastest growing sector industry over the next five

The forecast of amnual compound growth of 11.7 per cent to a total of \$22.3bn by 1998, compared with \$12.8bn last year, comes in the eighth annual Communications Industry Forecast by Veronis, Suhler, the US inve bank, published today.

Interactive digital media consists of entertainment and information that is distributed, or soon will be, in

digital form. John Suhler, president of the investment bank expects growth in of the interactive media industry "will continue to be explosive over the next

five years". Veronis, Suhler expects the number of on-line households

in the US to triple to 10.5m over the five year forecast period, with subscription ending for services rising in line from \$407m last year to \$1.5bn in 1998. Spending on educational software is expected to more than double

to \$888m by 1998. According to the report consumers will spend \$5.2bn a year by 1998, buying products from televised home shopping services. This is a 9.6 per cent average growth rate, although it compares with 13.2 per cent over the previous five years.

Overall the communications industry will continue to expand in the US, and spending by both advertisers and consumers on products and services will reach \$308.5bn by 1998, a compound annual rate of 6.6 per cent

over the next five years. Advertising spending will grow by no less than 5 per cent in any of the next five

Other highlights from the report include: Television broadcasting spending to increase to \$34.7hn, with the erosion of network audiences ending and the networks holding their market share.

 Total radio advertising growth to double at a 7.1 per cent rate over five years. reaching \$13.2bn by 1998. Cable spending to reach \$27.4bn, growing at a 4.7 per cent annual rate. Total spending on newspapers (advertising and

circulation) to total \$60.2bn by 1998 - a 5.9 per cent compound annual rate. Spending on books to reach
 \$32hn by 1998 - expanding 7.2 per cent over the next five

1994 Communications Industry Forecast from Veronis, Suhler, 350 Park Avenue, New York, NY 10022 212-935-4990. Price

Post haste for barcoded mail

By Alan Cane

The Royal Mail is planning to extend to the whole of the UK a scheme - at present customers - which promises dramatically

to simplify mail addressing and sorting. The scheme initially involves adding extra characters to existing postcodes so that each code will identify a single, unique address.

The nub of the Royal Mail development however, is the transformation of the extended postcode into a new kind of barcode which can be read by special electronic scanners at rates of up to 30,000 items an hour. It is thought the target for completing the conversion is the early part of next year. The barcodes will be

chiefly of benefit to high volume, bulk mail customers. Mailsort customers who presort their post already qualify for a 2 per cent discount for barcoding 30,000

Conventional barcodes, widely used on products and packaging in industry and commerce, comprise printed columns of bars of varying width. These can be read optically to yield information about the product or contents.

The Royal Mail barcodes are different in form, consisting of patterns of lines of varying length which can be printed under control from a personal computer. One advantage is that the barcode reading machines are able to recognise the pattern despite the presence of, say, advertising materials on the packaging.

Barry Jeeves, customer barcoding consultant to the Royal Mail, quoted in the current issue of the magazine PC Week, says the Mail has essentially developed its standard. Conventional barcodes, he says, were not quick enough. There were problems with low quality printers and

There are some 25m domestic and business addresses in the UK. Existing postcodes identify a group of about 15 addresses and are adequate for existing sorting systems, which are based on machine recognition of phosphorescent dots printed on the packaging. Customer should benefit greatly from keying in a nine character barcode instead of several

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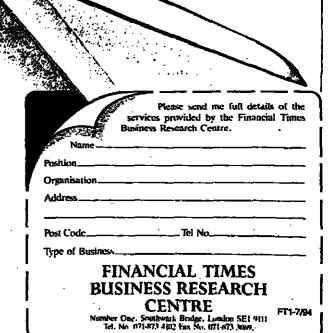
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ARCHITECTURE

Image projector's image

Colin Amery assesses Channel Four's new building in London

times difficult to imagine it coming from any specific place. In these days of virtual reality, it comes as a surprise to realise that TV channels need concrete headquarters and solid bases for their activities.

Opened earlier this month, the new Channel Four building in Westminster follows hot on the heels of the new ITN building in London, designed by Sir Norman Foster. Britons see ITN in all its transparent glory every night on "News at Ten" the image of efficiency and focused energy gives a certain boost of confidence to the broadcasting of the news itself. When TV-am began its short

life in a converted canal-side warehouse in Camden Town, it chose as its architect the jocular Terry Farrell who could not resist a sunrise-shaped entrance and a row of breakfast egg cups along the para-

Those jokey days are over and Channel Four took the appointment of its architect, Sir Richard Rogers, very seriously. Channel Four held a private competition and appointed a design committee to oversee the process and select the winner.

The composition of any jury is usually what determines the result and when you have Nicholas Serota, director of the Tate Gallery, Michael Manser, a former president of the Royal Institute of British Architects. Michael Grade and Sir Richard

Attenborough on the jury you can expect a fellow member of the modernist establishment, of a certain age, will be appointed. At the time of the competition (1991) I recall the much more adventurous scheme, by Bennetts Associates, which reached the shortlist but did not win.

The winning design by Sir Richard Rogers shows how middle age has tempered the extremism of his early years when the Pompidou Centre, which he designed with Renzo Piano, was the first building to expose all its pipes and ducts on the outside of the facade. This was seen as some kind

of a breakthrough and announced the birth of the style known as high-tech. As is often the case with the promotion of architectural styles - a great deel depends on the personal charm of the architect. Richard Rogers has always been a fervent evangelist and has used his personal charm to sell his particular brand of mechanistic modernism. It is interesting to see how he is modifying his line, and in all his public utterances about community architecture he begins to sound close to some of the views of HRH The

Prince of Wales. Channel Four's new headquarters occupies two and a half acres on Horseferry Road in Westminster, just behind the concrete horror of the Department of the Environment's headquarters in Mars-

The site had been ear

marked 20 years ago for a 20 storey post office building and work had already started on the construction of a ten metre deep basement. This belowground work was utilised by the architects to provide a home for "no-daylight functions" such as the main studio and the preview cinema. As part of the planning deal, nego-tiated by Westminster City Council, half an acre of the site is a public park and children's

he plan of the build-ing is a large "L" shape, with the knockle of the building, at the joint of the "L" being occupied by the curved entrance area, boardroom, and restaurants. It is this curved element that is the most spectacular part of the building and is really the only part of the design that seems to bear Richard Rogers's signature. The curved curtain wall, sup-ported on a spider's web of steel, is something that all architects have tried to do since Norman Foster's Willis Faber Dumas office building in Ipswich curved so sinuously on

It is the component manufacturer who must take much of the credit for the success of something as striking as Channel Four's curved glass wall. It was made by Eiffel in France (who made the famous glass pyramid in the Louvre). Permasteelisa, an Italian

cladding manufacturer under the direction of Massimo Col-

ing on the office blocks which have a rugged toughness about them. Massimo Colomban is one of those brilliant Italian designer/businessmen who is corrently founding a school to train architects in the "perfecting of component engineering". Channel Four has really

gained a fragment of a Rogers building - the excitingly curved entrance area and the lift tower and stack of meeting zooms - the rest of two blocks is routine offices. Indeed, one of the blocks will be let. Channel Four has spent £62m on the site and the building. Con-struction costs are some £39m which, allowing for the special needs of a TVbuilding, is not far from the average for a good quality office block in central

Channel Four has provided London with a modest but stri-king example of late modernism - a kind of calmed, hightech building. The particularly good thing is that it has stayed in the centre of the city, not gone wandering off to Dock-lands and has provided some housing for sale and a park on

In image terms the new headquarters is much more workmanlike than Lord Reith's grand Broadcasting House. By concentrating all the architec tural excitement at the entrance, Channel Four's new HQ is rather like TV itself - it promises a lot of sparkle but, once you pass the entrance the

Still sitting tight in the electric chair

Seventy this week, Lord Weinstock explains to Bernard Gray why, as custodian of GEC's history, he is still shaping its future

his Friday Lord Weinstock, plenty of controversy, both by the managing director of GEC, aggression with which he formed the will be 70. Yet there will be no great fanfare or party at GEC: no gathering of the great and the good. "No, I shall enjoy a quiet dinner in Salzberg with my friend Riccardo Muti, the conductor. His birthday is the day before mine and we have done the same thing for the past 12 years.'

The juxtaposition of calculating businessman and contemplative music lover is only one of the tensions in Arnold Weinstock's character. He is a cultured and retiring man who has taken difficult and painful decisions in a tough industry. He lives well but abhors waste in his business. He is an ardent racehorse-owner who is too busy working to watch them run. He keeps a vice-like grip on every important financial detail of GEC, yet is none the less prepared to put his most valuable assets into joint ventures when the strategic need

To him there is no contradiction between the private man and public manager. "I do not see the difficulty. I enjoy living well but it would be wrong to waste the company's

He also has some singular ambitions. On Desert Island Discs last year he confessed that in his youth he had dreamed of being an ice hockey player, but now he wishes he were a conductor.

For his sins, however, he is neither an ice hockey player nor a conductor but the custodian of a large part of Britain's electronics industry, and has been for a generation. His views about the company's future are inevitably tied to the way he has developed it since he brought together the three great UK electrical companies, GEC, AEI and English Electric in the late

At 70, he is well past the normal retirement age for a chief executive, but the board has just asked him to stay on as managing director for at least a further two years. As a result, the next phase of the GEC's development is in the hands of the man who

has shaped its recent history. Weinstock's long occupancy of the British electric chair has sparked modern GEC, and his apparent stolid-

Observers have lionised and vilified him in almost equal measure. To look back through the contemporary accounts is to watch an inexorably shifting pattern. Welnstock was the man with the marketing flair who would save consumer electronics, the man with the management vision to integrate Britain's sprawling hi-tech industrial base, the man with the grasp of detail to keep profligate engineers on the straight and narrow.

But as the glow of technological promise faded, GEC seemed to fade with it. Arnold Weinstock was made to carry the weight of disappointed expectations. If only GEC had been more adventurous in cutting edge technologies. If only the company had not leaned so heavily on government contracts. If only GEC had used that legendary cash pile. If only Arnold Weinstock hadn't been so cautious.

Weinstock turns aside brickbats in much the same way that he declines bouquets. There is, however, a tightness around his eyes when critics are mentioned which suggests that the barbs do strike home.

These people do not understand our industry. We have taken some failing poor businesses which were deeply in debt and turned them into successful rich companies. And we do spend money. We have spent £2bn on acquisitions in the past seven years and £406m of our own money on research and development last year

The arguments have become so entrenched on both sides that the battle takes on a weary familiarity.

Critics say that GEC has abandoned the technological high ground; Weinstock argues that he will make anything for which there is a profitable market. The charge is laid that he has retreated from the market to cosy government contracts; he points out that external forces such as the relentless advance of the Japanese in consumer electronics have in part shaped the company's direction. Weinstock seems to feel the pain of criticism, and there is a hint of residual disappointment that the company's achievements, and his own lifetime's efforts, are not better recog-

For all that, his personal style has not changed in a quarter of a century. The functional office in Stanhope Gate. The telephone with a bank of direct dial lines to contact any of his senior managers instantly if there is a problem. The monthly reports from 150 subsidiaries which stress key financial ratios, all of which are scrutinised by the managing director per-sonally; many are annotated in red felt tip pen, often with brutally direct

"I'm not the kind of manager who can grasp a situation and make a decision in the same kind of very impressive instinctive way that Jules Thorn [founder of the now Thorn EMI] did. I must have the data to make a deci-

On the future of GEC and his own succession Weinstock is moderately candid. "There are some things I still need to do. I need to sort out our mix of industrial businesses and put some more things into joint ventures. For that it is important to know the people who will be your partners."

is vision of the company in 20 years is a detailed developyears is a detailed development of the present, rather than a radical shift or a new strategy for a new millennium. "In power engineering we are second only to ABB and we will prosper further. Electricity is not going to be replaced, and we can meet future demand.

The list continues. GEC has a good position in telecoms, albeit in a much smaller market than its partner Siemens. Defence electronics will hunker down for the tough times ahead - he still hankers after a joint venture to pool his business with BAe.

And though Weinstock wants to keep working he accepts that he will eventually have to move over. "There is enough talent in the businesses to take over. Other people will come forward with their own ideas, but I would like to retain some kind of consultative role, I think that would be useful.'

There has been much speculation in the City that he would like his son Simon to replace him, though many



investing institutions would strongly oppose the idea unless Simon could demonstrate that he was the best candidate. "I did nag Simon to join the company when he was at Warburg. But I know he would not want to do the top job if there were opposition to it. He has a very different personality from mine and acts in a very different

Also in the race are the three men recently appointed to the board: Peter Gershon, who runs GPT, the telecoms business; James Cronin, managing director of GEC Alsthom power engineering; and Roy Gardner, head of GEC-Marconi, the electronics arm. The other much-touted contender is David Newlands, GEC's finance director. If one of the candidates rises above the others in the eyes of the board and the City, the succession may be smooth. But the company is

not home yet. There are at least some signs of change at Stanhope Gate. Until recently a chipboard wardrobe which must have cost all of £50 at MFI stood in the corner of the modest waiting room. No-one in living memory had ever hung a coat in it. Now it has disappeared, though its imprint can still be seen clearly in the hard-wearing beige carpet. The room has even been painted and GEC's smart 1960s logo hangs on the wall.

Some things, however, remain the same. Profile writers have always moaned that no matter how hot the day or how long the interview, they are never offered refreshments by Weinstock.

They still go thirsty. As I left his office on a sticky July day Lord Weinstock wished me a speedy journey back to the FT. I explained that the train strike had emptied the streets so much so that I had arrived for the interview 20 minutes early and had gone for a cup of coffee around the corner. Lord Weinstock misheard me

slightly. "You got a cup of coffee here?" he asked, his eyes bulging with astonishment. "They should do a Bateman cartoon - the man who got a cup of coffee at GEC!" Whatever else he lacks at 70, the custodian of Britain's electrical industry has a finely developed sense of self-parody.



Baker: not spooked by French films

William Baker, just appointed as president of the Motion Picture Export Association of America, is more used to busting international crime syndicates than breaking down trade barriers, writes Jeremy Kahn. But the 54-year-old former

FBI agent is confident his law serve him well as the second-in-command of the US motion picture industry's vocal and powerful export

lobby. Baker held increasingly important posts during his 26 years at the FBL, at one time overseeing a \$750m budget and directing all of the agency's criminal investigations with the exception of counterespionage. He also spent two years attempting to overhaul the public image of the CIA, oversaw the FBI's counter-terrorism operations during the Gulf War and received numerous distinguished service awards.

Retiring from the FBI in 1991, Baker was hired by Jack Valenti, the president of the US Motion Picture Association whose colourful antics earned him the nickname "Happy Jack" – to head the anti-piracy division of its export lobby. Valenti, in his turn had checked him out:

"William Webster (former FBI

and CIA chiefl told me he was

probably the finest executive he ever encountered Valenti credits Baker with totally reorganising" the anti-piracy division in the past three years and was therefore his "first choice" when looking for a replacement for Myron Karlin, who steps down as president of the export association after nine years.

Baker says his first goal will

be "addressing the post-Gatt

environment in the EU* and obtainine *a level plavine field" for US films. At last year's Uruguay Round, members of the Gatt rejected US attempts to open French markets to more IIS films. "I don't think Ithe Uruguay Round closed any doors: it

اجن

just failed to open the door solidly," Baker says. "We will work with every government within the EU to convince them to open their markets." After Europe, Baker plans to turn to Asia, where video piracy and abuse of intellectual property rights are

Todo bom's hot line in Portugal

reported to be rampant.

Luis Todo Bom's climb to the top of the Portuguese business world has earned him a reputation as a strong-willed administrator with a low tolerance for complacency. writes Peter Wise.

These qualities will be much in demand in his new post as oresident of Portugal Telecom the country's largest company measured by number of employees, which was created through last month's merger of three state-owned

telecommunications utilities. Todo Born. 46, faces the task of forging these unwieldy companies with different cultures into an attractive competitive enterprise: next year up to 30 per cent of Portugal Telecom will be floated in the country's biggest ever privatisation.

He will not countenance resistance in his attempts to reshape the sector. Todo Bom is known for driving people hard. Former associates say his aggressive style means he is rarely challenged in the

hoardroom. Like several other prominent Portuguese, Todo Bom. originally a chemical engineer, began his career at Sines, a state-run oil, industrial and port complex that has proved something of a white elephant. Very much a politician – he is now a vice-president of the governing centre-right Social Democratic party - by 1983 he had been appointed head of the Tourism Fund, which

dispenses government grants. Later, he served as junior industry minister from 1985 to 1987, and has since held a number of administrative posts in public-sector companies, and was appointed head of the now-extinct Telecom Portugal at the beginning of this year.

GREEK EXPORTS S.A. DENATIONALISATION

INVITATION FOR EXPRESSIONS OF INTEREST IN PURCHASING THE ASSETS OF THE THREE COMPANIES UNDER LIQUIDATION DESCRIBED BELOW AND BELONGING TO THE PIRAIKI-PATRAIKI GROUP

GREEK EXPORTS S.A., based in Athens at 17 Panepistimiou Street, as special liquidator of the PIRAIKI-PATRAIKI group companies which have been placed under special figuidation (within the framework of article 14 of Law 2000/91 concerning denationalisation) and by decisions No.7815/1992 and 1083/1992 of the Athens and Patras Courts of Appeal respectively, and following instructions from the I.R.O. (which, according to article 22 of Law 2198/1994, is the essential Creditor of all of the PIRAIKI-PATRAIKI group's companies and takes the relative decisions) and in accordance with paragraph 11a of article 46a of Law 1892/1990 as supplemented by article 53 of Law 2224/94.

INVITES

interested parties to express their interest in purchasing the assets of the three PIRAIKI-PATRAIKI group companies under liquidation and described below, by submitting within twenty (20) days from today a written, non-binding expressions of interest. Interested parties can express their interest in purchasing elements of the assets of one, or two, or all three of the PIRAIKI-PATRAIKI group companies under liquidation as follows:

a) PIRAIKI-PATRAIKI COTTON MANUFACTURING COMPANY S.A. (HOLDING)

b) PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A.

c) PIRAIKI-PATRAIKI PATRAS SPINNING & WEAVING MILLS S.A. The expressions of interest to be submitted must not concern and will not be accepted with regard to the claims of the compani

under liquidation against the other companies of the PIRAIKI-PATRAIKI group because these claims are not transferable. Expressions of interest must be submitted separately for the assets of each company and will concern their separate operational and business unities and any elements of their assets which do not serve their business operations for the transfer of which there is no possibility of making separate offers.

SUMMARY INFORMATION ON EACH OF THE COMPANIES UNDER LIQUIDATION

1) PIRAIKI-PATRAIKI COTTON MANUFACTURING COMPANY S.A. is based in Athens and is engaged mainly in trading the products of the group's other companies. The assets of this company are:

 a) A modern building complex for storing and distributing the group's products, built in the Varibobi area of Attica. b) Stock in warehouses in the Attica area and in the group's warehouses in Patras.

c) Immovables in the areas of Patras, Attica, Thessaloniki, etc.

d) Claims against customers, furniture, etc.

e) The PIRAIKI-PATRAIKI trade mark and other trade marks of the group's products are exempted from the company's assets in accordance with para. 20 of the above-mentioned article 46a, as supplemented by article 53 of Law 2224/94 since they will be transferred to the group's companies which have been using them for many years.

2) PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL, S.A. maintains a weaving mill with 260 looms in the Municipality of Chalkida (or a plot of land 43 stremmas in area which, however, is not operating at present.)

3) PIRAIKI-PATRAIKI PATRAS SPINNING AND WEAVING MILLS S.A. maintains in the Patras area (on a seaside plot of land 208 stremmas in area) a vertical industrial spinning and weaving complex which includes a) two spinning mills, b) two weaving mills, c) a dyeing installation, d) a finishing installation, etc.

OFFERING MEMORANDUM

The Liquidator has drafted an Offering Memorandum for each of the above companies which includes a full description of the enterprises and their activities, as well as all the elements to be transferred which constitute the assets which will go to the purchaser who is pronounced the highest bidder.

It also contains the terms of the sale and all useful information of a general nature for the prospective buyer.

The total assets of the companies for sale shall be listed in detail in the Offering Memorandums with their separate operational and business unities as well as any elements of the assets which do not serve business operations, for the transfer of which separate offers can be submitted as defined in paragraph 11a of article 46a of Law 1892/90 as supplemented by article 53 of Law

Copies of the Offering Memorandum will be available to interested buyers at the offices of the Liquidator as soon as they have

Interested buyers will also be able to have access (following a written undertaking of confidentiality) to any other information they may ask for and may visit the company offices.

We note, finally that the announcement of a public auction for the highest bid shall be published within the time limits prescribed by law and in the same newspapers.

For additional information, interested investors may apply to: GREEK EXPORTS S.A.

Fax: +30-1-956.8788 - 956.3285

17 Panenistimiou Street, Athens 105 64, Tel. +30-1-324.3111-5 Fax: +30-1-323.9185 and to the INDUSTRIAL RECONSTRUCTION ORGANISATION (I.R.O.) 234 Syngrou Ave. Athens 176 72, Tel. +30-1-952.5540.





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FT Surveys

BAYREUTH The festival opens tonight with "Parsital", but the main interest this year Is a new production of "The Fling" staged by Alfred Kirchner and conducted by James Levine. Its most Rossilla, John Tombison (right) returns as Wotan, and Wolfgang Schmidt is the new Last year's Trister: und lsolde" ia revived with

comroversial aspect may well turn out to be the designs of German illustrator

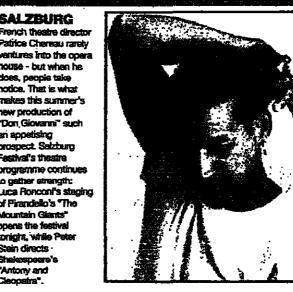
ROYAL ALBERT HALL more delighted than Ethel Smyth at the high. ocoffe women. composars have been enjoying this year. elecias a suffagetta and a larger-than-life personality (she once went golfing in her pylamas in the · Sudanese deserti Ethe Smyth deflect convention and fought to achieve her musical ambitions. Next Sunday the BBC .Proms present a concert performance of her most successful work, the opera "The Wreckers", first staged



THE LYRIC lésette Simon (right) takes the title role in losen's "The Lady from the. . . Sea". This role, played by . actreases from Duse to Venessa Redgrave, is one of lbsen's gnidaną taom to aericula femininity: a women fingid Within merceos. claims of a past tover, unable to give herself to the husband she loves. The production comes to the Lyric, Hammersmith,

Patrice Chereau rarely ventures into the opera house - but when he does, people take notice. That is what makes this summer's new production of "Don Giovanni" such an appetising prospect Salzburg Festival's theatre programme continues Luca Ronconi's stading of Pirandello's "The Mountain Giants' opens the festival tonight, while Petr Stein directs "Antony and

SALZBURG



THE SOUTH BANK The Deep South comes to London this week when the South Bank Centre on the Thames is enlivened both inside and out by the Festival of the American South, Music takes pride of place with banic creats like Ratoh Stanley bringing mountain style Bluegrass and guitarist Robert Werd the sounds of New Orleans, David Rou (left) and the Reality Company provide dence backed with gospel singing, and there are plays from both black and Appalachian drama groups. All this end an Elvis Presley exhibition in the Festival Hall foyer, too

Days of hope

Jackie Wullschlager on images of the post-war American dream

graphic exhibition of all time. From 1955, when it opened at New York's Museum of Modern Art, through the 1960s, when it toured the world, more than 9m people saw Edward Steichen's show The Family of Man.

Its images shaped the consciousness of a generation: Eugene Smith's two children in "The Walk to Paradise Garden". Andreas Feininger's crowd scene on Fifth Avenue, Robert Doisneau's kissing couple in Paris. Its message of peace during the cold war drew unprecedented queues of visitors in the US, Berlin, Tokyo. When, two weeks before he died in 1963, John F. Kennedy made a legendary speech on the family of man, he used the term given popular currency by

Now, in a bold and imaginative move, the exhibition has been recreated and set up in a permanent home at the centre of Europe. At Château de Clervaux, an airy castle near Steichen's birth place in Luxembourg, the monumental black and white prints are bung, as in 1955, around scenes which cross cultures and races.

Steichen described the 503 images culled from more than 10,000 photographs as "a mirror of the essential oneness of mankind throughout the world". His selection shows a passion for vivid human involvement: the excitement of a first glance, a pair of clenched hands, a sprawl of legs at a dance, a boy spearing an

antelope.
Yet time has also proved his critical acumen, for every picture on the wall is a consummate work of art. Cartier-Bresson, Brassai, Bill which moulded 20th-century photography are all here, making this show not just a historic reconstruction but the story of an art form.

Forty years on, it is the emotion and optimism of the pictures that catches you breathless as you walk into the opening sequence of lovers: in an English meadow, in an Italian wood beside an abandoned bicycle, as part of a New Guinea tribe, at a Louisiana dance hall. Crowd scenes pull you in - swanky faces from five tiers of the Paris Opéra, boastful children in a Brandt street

Exquisite compositions such as Doisneau's picture of a policeman watching a woman watch a couple embrace by the Seine, ask you to join a circle of voyeurs. All pure sentiment and familiarity hold sway witness Eugene Smith's children in a brightly lit garden, an image of

t was the best known photo- hope and love so emotive that at a recent trial run of the exhibition in Tokyo, many visitors wept openly over it. Steichen captioned Smith's picture "a world to be born under your footsteps", and today it is a vision of the 1950s American dream that we respond to it. (It is no coincidence that the image made one of Ford's most successful motor car advertisements.) Like many works here, it is stamped with American - sports car, roller coaster, fast-food joint. Ralph Crane's shot of six teenag-

ers speeding down a tree-lined avenue in a 1940s convertible, Robert Frank's line of college girls devouring 20-cent hamburgers, breathe that mix of exhibaration and hanality which was mid-century US life. Cumulatively such pictures announce a faith in youth and progress, in New Deal prosperity and the pioneering American spirit.

The beginnings of teen culture, Rock Around the Clock, Loiita, West Side Story, were the family of man's contemporaries and Steichen, like Humbert Humbert and Old World emigrés in love with the New, was perfectly placed to celebrate the grandeur of young America. At the centre of his show, like an altar piece, he placed a giant Ansel Adams' California landscape Surrounded by the bars and play-grounds on every day Main Street, it is a homage which recalls the vast journey from motel to motel that Humbert Humbert made across the country with Lolita.

These comparisons crystallise how this show has dated in the best possible way. For the family of man is not a general balanced view from five continents but an arti expression fixed in time and place. Its images unfold like the grand scenes of history, and what gives them the lasting quality of myth is that, like Rembrandt's portraits of Flemish burghers or the Velasquez's Spanish nobles, they distil an inescapable sense of their age, and yet out of that precision emerges something universal.

All this is clear with hindsight, which also makes apparent what a splendid exercise in benign propaganda this exhibition must have been during the cold war.

Symbolically, its first stop in Europe was Berlin, where it was greeted with fervour by a public not long liberated from the blockade. Even a quintessentially German artist like August Sander seems in Steichen's persuasive American context denationalised; his "The Hod Carrier", an oppressed German



vorker resembles an entrepreneurial mid-westerner. In the same way, Brassai's famous duo the Members of Big Albert's Gang, plus d'Italie, here set among clean-living American teenyboppers, loses its Gallic menace and wit.

This exhibition will come increasingly to resemble a mid-century US export. A key prop is a ballot box

stuck over with photos of individuals voting in Turkey, Japan, France; behind it a huge frame features a United Nations meeting. In the groups of families from around the world, it is now easy to detect a sense of US superiority - Talcott Parson's influential essay "The Normal American Family" appeared the year the exhibition opened.

Yet Steichen's images are large enough for this not to matter. In his last sequence, a screen showing elderly couples forms an entrance to a final room plastered with motifs of playing children.

Of course, traditional American family values are here - respect ability, monogamy, the safe social order of grandparents and grand-

children. But this intimate section also invites us to place ourselves between youth and age, to ponder our own family, society. Each viewer will take from it something different - which is what makes this exhibition so rewarding.

The Family of Man, Château de Clervaux, Luxembourg. Tel:929656.

Recital A legend in search of form

he celebrated German mezzo Brigitte Fassbaender is already something of a legend: since making her debut in the early 1960s, she has sung many of the great mezzo roles in the world's leading opera houses, and recently she has also turned her hand to directing opera.

She is admired on the concert platform and, as the reception she got at the Wigmore Hall last week shows, she has a devoted following. Her artistry has always been highly individual, but in this recital her opening group of Mahler songs disclosed some worrying mannerisms. Fassbaender's instrument is perhaps not as flexible as it was, and hardens under pressure.

Of course, great interpretations are not made on sheer vocal beauty alone; but the occasional lapses of intonation would have mattered less had she brought a sense of life - vital in Mahler - and been less free with dynamics. The opening Rheinlegendchen had a Weillian coarseness about it, and she missed the radiance of Liebst du um Schönheit. At least she captured the lonely desolation of another Rückert setting, *Ich bin der Weltabhan*

den gekommen.
Indeed: her approach seemed wholly better suited to Aribert Reimann's stark Eingedunkeit cycle, written for Fassbaender and premiered by her last year, here receiving its first UK performance.

A setting of nine short impres-sions of Auschwitz by the poet Paul Celan (pseudonym of the Romanian Paul Antsohel, who lost both his parents in a concentration camp), the cycle succeeds as a powerful lament where the horror of its subject can defy description.

Eingedunkelt is set for a lone.

unaccompanied voice and Fassbaender delivered the mournful, declamatory lines with incisive eloquence. The second half of the programme der's diversity and was pure, unalloyed pleasure. In two early Berg songs. Wo der Goldregen steht and Ferne Lider, she found the sense of line missing from her Mahler, and allowed the beauty of her voice to come through. The programme lightened up with Milhaud's cheeky Trois chansons de négresse Fassbaender caressing the lines like a chanteuse and her pianist, Wolfram Riegen (who had been excellent in

accompaniments. Fassbaender put everything into her final group of Weill Songs, delivering such numbers as Nannas Lied, Wie lange noch? and Berlin im Licht with pungent vocal utterance. These seemed to say the most about Fassbaender's art today.

Berg's four Op 2 Lieder) coming

into his own with the swinging

John Allison

International

■ BERLIN

Crazy for You, the musical based on Gershwin's Girl Crazy, runs daily from tomorrow till Sun at the Schiller Theater (2548 9241)

■ COLOGNE

Afvin Ailey American Dance Theater opens a two-week season tomorrow at the Philharmonie (0221-2801)

FRANKFURT

 New York Harlem Theatre presents Gershwin's opera Porgy and Bess tonight, Wed, Thurs and Fri at Frankfurt Opera House (069-236061) The next jazz concert at

Palmengarten is on Thurs, leaturing the song and guitar duo Silvia Droste and Michael Sagmeister.

GENEVA

The city of Geneva organises a series of concerts throughout the

summer, some of them free open-air events. The international music series at Théâtre de Verdure continues with a jazz/java evening on Wed featuring Marcel Azzola, arc Fosset and Patrick Caratini Trio, followed by the Golden Gate Quartet (negro spirituals) on Fri and the Helston Jazz Band from England on Sun afternoon. The Monday jazz series at Cour de l'Hôtel de Ville continues with American tenor saxophonist Johnny Griffin tonight. The classical music series, also at Cour de l'Hôtel de Ville, has the Geneva Chamber Orchestra (Stravinsky, Strauss and Mozart) on Thurs, followed on Sat by an evening of chamber music with Andras Schiff and friends (022-786 5545/022-312 4353)

HAMBURG

Maxmilian Scheli stars as Professor Higgins in My Fair Lady at the Deutsches Schauspielhaus, daily till Aug 7 (040-248713)

 Katharina Thalbach's production of Brecht's The Threepenny Opera, with music by Kurt Weill, runs from tomorrow till Sat at Thalia Theater (040-322666)

■ MUNICH

OPERA FESTIVAL Tonight's performance is Le nozze di Figaro with Pamela Cobum, Alison Hagley, William Shimell and Alan Titus. Tomorrow, Fri: La traviata with Cheryl Studer, Francisco Araiza and Thomas Allen. Wed: Bavarian

State Ballet in John Neumeier's production of The Nutcracker. Thurs: Die Meistersinger von Nürnberg, with Bernd Weild, Eike Wilm Schuite and Nancy Gustafson. Sat: Der Rosenkavalier with cast headed by Felicity Lott, Jeanne Piland, Barbara Bonney and Kurt Moli. The season ends on Sun with a final performance of Meistersinger (089-221316)

MUSIC Gasteig Tonight: Lionel Hampton. Tomorrow: Vladimir Chemenko conducts St Petersburg Staatskapelle in works by Rakhmaninov and Tchaikovsky, with piano soloist Arkady Zenziper. Wed: Joshua Redman Quartet and Ron Carter Trio (089-8409 8614)

Bayerischer Hof Wed: Betty Carter.

Thurs: Arturo Sandoval (089-299901)

THEATRE The Kammerspiele has just unveiled a new production of Oleanna, David Mamet's celebrated two-hander about political correctness and sexual harassment. Directed by Dieter Dom, the play can be seen tomorrow and daily except Wed between Aug 1 and 14. This week's repertory also includes Shakespeare's King Lear and The

■ NEW YORK

Tempest (089-2372 1328)

THEATRE Three Tall Women: a moving. poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and

delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, padway at 76th St, 239 6200)

Angels in America: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is Millenium Approaches, part two Perestroika played on separate evenings (Walter Kerr, 219 West 48th St, 239 6200)

Laughter on the 23rd Floor. Neil Simon's 27th Broadway play, about a group of writers trying to come up with a new show, is one of his finest comic efforts. Directed by Jerry Zaks (Richard Rodgers, 226 West 46th St, 307 4100)

Carousel: Nicholas Hytner's bold, beautiful National Theatre production from London launches Rodgers and Hammerstein towards the 21st century (Vivian Beaumont, Lincoln Center, 239 6200)

 Tommy: a musical written and composed by Pete Townshend, sed on the 1969 rock opera by The Who, about a withdrawn young boy who becomes a Pinball Wizard (St James, 246 West 44th St, 239

 Kiss of the Spider Woman: Vanessa Williams has taken over Chita Rivera's starring role in the long-running Kander and Fbb musical directed by Harold Prince (Broadhurst, 235 West 44th St, 239 6200)

 Guys and Dolls: a top-notch revival of the timeless musical fable about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St. 239 6200)

Crazy for You: the musical based on Gershwin's Girl Crazy recently passed its second

anniversary on Broadway. A highlight of this glitzy entertainment is Susan Stroman's choreography (Shubert, 225 West 44th St, 239)

 Tony 'n' Tina's Wedding: a wedding at St John's Church, 81 Christopher Street, followed by a reception at 147 Waverly Place, with Italian buffet, champagne and wedding cake (279 4200) Damn Yankees: the big musical

hit of 1955 is back in its first Broadway revival, with Victor Garber as the Devil and Bebe Neuwirth as Lola. The director, Jack O'Brien, has extensively re-written the story, about a baseball fan who sells his soul to rescue his favourite team from a losing season (Marquis, Broadway at 45th St, 307 4100)

The Lincoln Center's Mostly Mozart Festival runs dally except Sun till Aug 20. Tonight's chamber music recital is given by Joshua Bell, Christian Zacharias and Garrick Ohlsson. Armin Jordan conducts the Mostly Mozart Orchestra in Mozart and Havdn tomorrow and Wed. The programme on Thurs consists of three Mozart piano concertos, played by Hélène Grimaud, Robert Levin and Cecile Licad. Jordan conducts again on Fri and Sat. with pianist Menahem Pressler and cellist Ralph Kirshbaum (875 5030)

■ STUTTGART

LUDWIGSBURG FESTIVAL Jessye Norman gives a song recital on Thurs. The next concerts are on Aug 6, when Philippe Entremont

ives a plano recital and Christoph Eschenbach joins the Houston Chamber Players in music by Poulenc, Strauss and Brahms. Other forthcoming events include a concert featuring Mstislav Rostropovich as cello soloist on Aug 7, song recitals by Edith Wiens and Simon Estes on Aug 13, the Cleveland Orchestra under Christoph von Dohnanyi on Aug 25, the Pittsburgh Symphony Orchestra under Lorin Maazel on Aug 28, and cellist Yo Yo Ma in recital on Sep 2 (07141-939610)

■ VIENNA

 The Roman ruin in the park of Schönbrunn, the former residence of the Hapsburgs, provides an open-air venue for Vienna Kammeroper's summer productions. Le nozze di Figaro runs daily except Wed till Sat. Don Giovanni follows from August 9 to 27 (513 0851) Vienna's summer concert series

Klangbogen Wien, runs till August 30 at various venues throughout the city. This week's events include a Mozart and Stravinsky programme conducted by Yehudi Menuhin at the Konzerthaus tomorrow, a concert of Mozart arias at the Rathaus Arkadenhof on Thurs, and an opera concert with the Philharmonia Romania on Satat the Minoritenkirche (4000 8410)

 Films of legendary opera and concert performances conducted by Bernstein, Karajan and Böhm can be seen free of charge at Rathausplatz each evening till the end of August.

ARTS GUIDE Monday: Performing arts guide city by city.

Tuesday: Performing arts guide city by city.

Wednesday: Festivals guide.

Thursday: Festivals guide.

Friday: Exhibitions Guide European Cable and Satellite Business TV (Central European Time) MONDAY TO FRIDAY NBC/Super Charmet: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY NBC/Super Channel: FT Reports 1230.

Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

NBC/Super Channel: FT

FRIDAY NBC/Super Channel: FT Reports 1230 Sky News: FT Reports 0230.

SUNDAY NBC/Super Channel: FT Reports 2230

Sky News: FT Reports 0430, 1730;

Samuel Brittan

The recovery is now near worldwide



There is now strong evidence that recovery is worldwide. It started North America, where it has already

reached the margins of safety, then spread to devaluing European countries and is now reaching hardcurrency countries such as Germany and France.

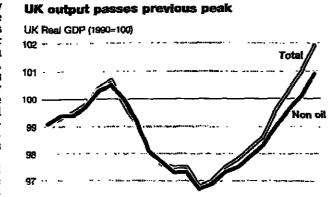
Japan is the most doubtful prospect; but even here there are signs that the economy is slowly adapting to the over-valued ven by domestic demand expansion and even more stringent cost-control by exporters. The developing countries.

which in previous cycles danced to the tune of the older industrial world, are now a sustaining force. They did not experience the last recession and are now growing at twice the rate of the countries of the Organisation for Economic

Co-operation and Development. Indeed, the OECD has revised its projections upwards for the first time since 1991. Oxford Economic Forecasting, in a more up-to-date comprehensive survey, has higher projections still. The surprise element has been the strength of continental Europe, especially Germany. While at the start of the year many analysts were expecting no growth at all in that country, OEF is now projecting all-German growth to be 2.2 per cent in 1994, rising to 2.9 per cent in 1995.

Forecasts are merely a way of articulating present indications; and OEF is very frank that its revised view is based on "glowing widespread survey evidence across the European continent", especially indus-trial confidence and production expectations.

The present business cycle has much in common with that of the 1980s. Each downturn has engendered a desperate belief that the world has entered a long-term depression phase: then there have been mutterings that recovery will not create new jobs; and finally concerns about inflationary overheating have re-emerged. It is, of course, nonsense to dis-



connect output and jobs. Unless newly employed work-ers produce nothing or negative amounts the two must go together. Unemployment has fallen in the US and the UK. where output has been rising briskly; and the OECD expects it to level off in Europe as growth returns to trend. In the Group of Seven coun-

tries, total demand in cash terms - measured by nominal gross domestic product - is now growing by about 5 per cent a year. Because of surplus capacity and associated competitive pressures, the inflation rate in these countries has fallen back to 2 per cent, leaving room for normal growth plus modest catch-up of about 3 per cent.

So long as nominal demand in the main countries grows at about 5 per cent a year, the world economy is largely self-correcting and unlikely to experience an inflationary take-off or a spiralling depression. Demand growth did, however, dip perilously low in the last recession. In 1993 it was only 4.1 per cent in the G7 countries. In Germany demand growth was 21/4 per cent and in France 11/2 per cent. Sound money economists could perfectly reasonably warn about demand deficiency last year, as they did at a corresponding

point in the 1980s. At what stage does the risk flip over to being one of excess demand leading to renewed inflation? Eddie George, governor of the Bank of England,

mentioned three contingencies in which interest rates might have to be raised at his June 8 meeting with Kenneth Clarke, the chancellor. The first was "if the pace of activity picked up more rapidly". The second was "if cost increases threatened the prospect for prices a year or two ahead". Third, and more implicitly, he might want to tighten policy if the growth of M0 did not decelerate in the coming months.

Nevertheless, the governor's

standpoint could be guyed as saying: "Shoot it if it moves." The latest flash indicator for the second quarter does indeed show UK output rising fairly briskly - 2.7 per cent for nonoil GDP in the year up to the second quarter. (The North Sea oil sector is part of the econ-omy, but it is so erratic that output trends are best measured without it.) Indeed, nonoil GDP has only just passed its 1990 peak. If capacity has been growing at a normal rate, this suggests that the margin of slack is now about 10 per cent - surely more than the safety level.

All the indicators the governor mentioned do, indeed, need to be monitored and many more. But some framework such as nominal GDP, or nominal domestic expenditure, is required to put them together and provide appropriate weights. Otherwise, he will be playing into the hands of the bond-market commentators who want to resolve all doubts in favour of tightening policy.









From left, Horst Köhler of the German savings banks association; BZW's Peter Middleton; ING's Cees Maas; Michel Pébereau of BNP; Wüstenrot's Gert Haller

swashbuckling 50year-old state secretary at Germany's finance ministry, has been made an offer he could not refuse. Mr Haller, who acts as deputy to Mr Theo Waigel. the finance minister, in international monetary affairs, is leaving to join Wüstenrot, the privately owned German build-

ing society and banking group. Mr Haller's departure, to take effect in January, will mark the second important switch at the ministry within 18 months. His predecessor. Mr Horst Köhler, who held the post since 1990, departed last summer, also aged 50. to become head of the German

savings banks association The job changes in Bonn illustrate how, across Europe, frontiers are becoming more fluid between senior financial positions inside and out of government. International financial deregulation, fast growth of capital markets and sophistication of banking groups like Wüstenrot are increasing career opportunities beyond

the public sector. Since Mr Köhler took over at the German savings association last August, two other middle-ranking civil servants have joined him. "They find the work more interesting, of course," one Bonn official says. Financially it has to make sense, but we are not talking about a 300 or 400 per cent pay rise. What seems to be most important is that the pensions

are properly sorted out." Germany is not the only country where higher privatesector salaries and more freewheeling lifestyles exert a strong attraction when budgetary pressures are squeezing civil servants' pay.

In the Netherlands, where there is more traditional interplay between public- and private-sector financial jobs than in Germany, board members at Dutch banks can earn up to five times the annual wage of F1 200,000 (£73,500) earned by

A look at life from both sides

FT writers on the trend for Europe's top financial staff to switch between public and private sectors

top civil servants at the finance ministry.

And Sir Peter Middleton, permanent secretary at the UK Treasury between 1983 and 1991, is thought to have increased his salary of £96,210 between threefold and fivefold since becoming chairman of

BZW, the investment banking arm of Barclays Bank. Departures of European financial civil servants to senior positions in banks do not represent a new trend. But officials now seem willing to take up private-sector jobs at an earlier stage in their

This may presage a shift to greater flexibility in employment between the government and business sectors, similar to the "revolving door" in the US where senior Washington functionaries traditionally rotate between government and non-

government posts. Mr Haller's departure from the Bonn finance ministry marks a welcome break from the general picture of "regrettable impermeability" between the public and private sectors in Germany, according to Mr Fritz von Gadow, an executive at the Düsseldorf office of Spencer, Stuart, the international personnel consultants. He says Germany has too lit-

tle US-type flexibility. "It's unfortunate that real life isn't represented in the ministries." As for suggestions that Mr Haller would have been better advised by going to a higher-profile bank, Mr von Gadow says Wüstenrot is a respectable address. "They have their own bank and are in every sense a at 61 to join the Cologne-based big financial services group." Until now in Europe, regular switches between finance ministries and banks have been

mostly confined to countries like France, with a tradition of state ownership in banking. Mr Marc Vienot, chairman of nowprivatised Sociéte Générale, Mr Michel Pébereau, chairman of similarly privatised Banque Nationale de Paris, and Mr Jean-Yves Haberer, former chairman of Paribas and Crédit Lyonnais, all held senior jobs in the French finance ministry.

'It's unfortunate that real life isn't represented in the ministries'

After several years of privati-

sation of banks and industrial companies in France, there are now signs that relationships between the public and private sectors are becoming much less cosy. Last week the Paris government announced it is phasing out the practice under which civil servants are allowed to retain indefinitely their ranking while working in the private sector.

In countries without large state-owned banks, moves between the helm of public and private sectors have been far less automatic than in France but they now seem to be less exceptional. Mr Karl Otto Põhl, president of the Bundesbank at 61 to join the Cologne-based Sal Oppenheim banking group - the first Bundesbank chief not to go immediately into retirement on departure. Mr Pöhl's resignation was partly caused by divergences with the government over policies on German unification, but it also

his salary. Another example of a sideways move comes from Portugal. Mr Manuel Pinho, 39, currently director-general of the Portuguese Treasury, will leave this summer and is expected to take up a job at a so far undisclosed private

reflected his desire to increase

After working for the US bank Manufacturers Hanover, as well as Credit Lyonnais, Mr Pinho moved to the Portuguese finance ministry to carry out a radical restructuring of Portugal's borrowing programme during the past two years. His spell in government will certainly stand him in consider-

able stead.
"When I ring someone in government I know they are going to take the call because they know who I am," says one Portuguese executive who spent a spell as the head of a civil service department before

moving into private banking. Another man with experience of life in both public and private sectors is Sir Douglas Wass, now 71, permanent secretary to the UK Treasurv between 1974 and 1983. He holds three non-executive chairmanships - Equity & Law

Life Assurance, Nomura Inter-national and the NCM credit insurance group - and is on the board of three international trade and insurance

Sir Douglas warns that offi-cials who move relatively early from public to private-sector jobs have a greater chance of success. "The culture in government is one of risk aversion and propriety of decision tak-ing. In the private sector it is risk orientated ... My own feeling is that a successful transfer after the age of 40 or 50 is rare. One becomes too engrained to become a successful entrepre-

Experience in the Netherlands underlines this argu-ment. Mr Cees Mass, 47, formerly treasurer-general (the top civil servant) at the finance ministry, left in July 1992 to join the board of internationale Nederlanden Groep (ING Group), the big Dutch financial services company. Mr Mans's predecessor, Mr Pieter Korteweg, who departed in 1986, aged 44, has since headed Robeco, the Rotterdam-based group of international invest-

Mr Dick Meys, now 51, was director-general for the budget, another senior job at the ministry, until the late 1970s. He is now a board member at ABN Amro, the Netherlands' biggest

The present treasurer-general at the Dutch finance ministry, Mr Henk Brouwer, is himself 48. He came to the job after a long spell in the civil service followed by two years working for Philips, the big electronics group. If the trend towards an American-style "revolving door" picks up momentum in Europe, Mr Brouwer's job path may mark the shape of careers to come.

By David Marsh and Gillian Tett in London, Michael Lindemann in Bonn. Ronald van de Krol in Amsterdam, John Ridding in Paris, Peter Wise in Liston.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Steps to meet product safety obligations

From Mr Brian Bateman Sir, Stephen Sidkin and Nigel Miller ("Stay Secure on Safety", July 19) rightly point to changes in the law on product safety which affect all in the supply chain. They stop short of advice on how to meet the new obligations imposed by the general product safety

regulations, however. The UK has an excellent record of product safety. Manufacturers have taken great care to meet and to exceed safety requirements. Part of the reason for this impressive record is our commitment to safety standards and to product marking showing that standards have been met.

national standards body. The BSI kitemark, well known to consumers, has been around since the 1920s and provides our independent assurance of a product's conformity with standards. They point to the one

industry, was the world's first

defence under the legislation. A producer who took "all reasonable steps and exercised due diligence" could demonstrate his care to avoid the offence. The surest way for manufacturers is to:

the design is safe. The British Standards Insti-Manufacture under a qual-

 Have the products "type tested". This will tell whether

tution (BSI), established by the engineering profession and ity management system to be used as benchmarks of best engineering profession and ensure that specifications will practice by the courts. Indusbe consistently met. This helps ensure that each individual product meets the same criteria as the original design. Such a system also involves the keeping of records which assist in answering questions which may arise.

 Ensure that the criteria for any legal marking requirements are satisfied. Consider using a product certification scheme, such as

the kitemark to give purchasers confidence.

It is also essential for the future that the UK continues to make a full input to European and international stan-

dards. These will increasingly

try must make its views known on all relevant standards, through participation in BSI's work as the UK representative in European and international forums.

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67.

With the Local Authorities Co-ordinating Body for Food and Trading Standards, BSI is holding a conference in October on the role of standards in assuring product safety. I hope that many of your readers -and your contributors - will be interested in participating. Brian Bateman, director, product certification,

British Standards Institute, 2 Park Street. London WIA 2BS

Sid could help Germany develop 'equity culture'

Sir, David Waller's report ("Resisting the bait of equity ownership", July 14) misses two points when he lists actions to overcome the lack of

an "equity culture" in Germany.
First, the leading German banks must create incentives for young people to become involved in stock exchanges. For decades these banks

have erected ever higher barriers for young newcomers to these exciting markets. I imagine the bankers consider the short-term costs too high and they have failed to recognise their primary long-term responsibility. Without a broadly based participation,

starting with the young, I cannot see an "equity culture" developing in Germany.

Second, several decades ago the German government cre-ated the Volksaktie when selling, for example, Volkswagen. If the government decides again to sell off state enterprises such as Lufthansa and Telekom. I hope it will look to the UK and learn from its series of successful privatisation programmes.

Sid could be very useful in helping the German government and banks to develop an "equity culture" in Germany. E H Clausson. The Penthouse.

176 Leigham Court Road, London SW16 2RF

Vocational training needs to perform a giant leap

Sir, Your article ("Staying on can mean missing out", July 20) gives a timely reminder to young people to take a long-term view of what they can do when they leave school

In a society which is biased towards the immediate, and with a government opposed to planning, there is little exam-ple to follow and the modern apprenticeship is seen by many as yet another small step for training when clearly a giant leap is called for.

The lack of demand you highlight is matched by surplus supply - technical colleges mothbail or eliminate

potential training provision in

society should cross-subsidise

construction and engineering. While the government vehe-mently denies a stop-go policy in the economy, you supply clear evidence of it in an area which is crucial to long-term

consistent growth. The twin-track approach does not work. We are not Germany. We do not have parity of esteem between the academic and vocational routes, and until we do we will always have an under-achieving. under-resourced, Division Two. which attracts few and is dismissed by many. Ken Ruddiman,

principal, The Sheffield College. PO Box 345, Sheffield S2 2YY

Individuals must meet the cost of a civilised society

From Mr A Allcock

Sir, David Parker eloquently puts the case for differential pricing within a privatised post office (Personal View, July 14). It is tempting to accept this argument, which is based on the demand for economic efficiency and correctly apportioned costs that are supposedly necessary in an unregulated, competitive market, and also on the inappropriateness of cross-subsidisation of one element of society - in this case rural dwellers - by

Even in highly competitive

markets, however, it is often the case that pricing is not directly related to costs in a rigid sense.

increase its market share it will undercut the competition. taking greater profits from areas where it is better established and more secure. This happens on a national and International basis and is cross-subsidisation of one element of society, or country, by another by business itself. To think that cross-subsidisation will cease on privatisation is

another anyway, this is just an extension of the increasingly popular the individual pays for-Where a company wants to what-he-consumes argument. It appears economically effi-

clent and fair. Taking this to extremes, however, encourages envy and creates division among members of society. consider the duty that individ-

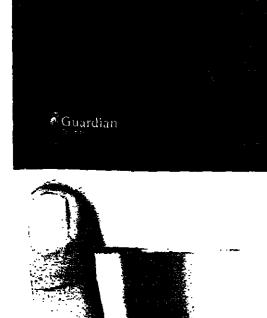
This is because it does not uals must assume in the maintenance of society at a given level of civilisation as payment for the benefits that individu-

als derive from living in such a

As to whether one element of society - these too have a cost The attractive and obvious simplicity of the arguments advanced by economists like David Parker are contagious and increasingly common. But applying them unthinkingly to more and more services/products in isolation is dangerous. The application of a wider cost/benefit analysis in an effort to measure how society

at large benefits is the real chellenge. Andrew Allcock. 10 Friars Close. Tankerton

Whitstable, Kent CT5 INU



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FINANCIAL TIMES

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Flight plan for Air France

ted to propose on Wednesday that Brussels approve a FFr20bn (£2.4bn) French government rescue of Air France, the loss-making state-owned carrier. The case is an important test of the EU's state aids policy and of its drive to liberalise air transport. If Mr Oreja's fellow commissioners are commit-ted to those policies, they should scrutinise his proposal hard.

The decision matters because the planned bail-out is by far the largest yet in the European industry, and because Air France and Air Inter, its domestic affiliate, together have the biggest revenues of any European airline group. Furthermore, France's reluctance to open Orly airport to competition suggests it is determined to continue protecting Air France - in violation of single market rules and of the EU integration Paris claims to favour.

If Brussels waved the rescue through, it would further blight prospects for fair competition in an industry already beset by excess capacity. For a company of Air France's size to receive subsldies in the amount proposed, and on terms not available to privately-owned rivals, would jeopardise more efficient and profitable carriers. British Airways is right to cry foul on that score - even if its own attitude to competition has not always been impeccable.

In judging the Air France case, the commission should ask three questions. The first is why any state aid should be permitted. Brussels' policy is to allow troubled carriers "one last chance" of aid before a total cot-off in 1997. But Air France has already had more last chances than most in the industry. Three state capital injections totalling almost FFr5bn since 1991 have failed to cure its

Slimmed down

IF I HIGH

aters obligates

The second question is why Air France needs so much money. Lufthansa, Germany's state-owned airline, has recently slimmed down radically without taxpayer support. The opacity of Air France's published accounts makes it hard to be sure that any state aid will be used to finance restructuring, and not to cover operating losses. The commission

Mr Marcellino Oreja, Europe's should not entertain any proposal for government funding unless supported by detailed financial information and economic analysis of Air France's operations. in any case, the company has plenty of saleable assets in the form of stakes in Air Inter and several other profitable airlines. Yet so far, it is proposing to dispose only of its hotel subsidiary. State aid on the scale proposed is unjustified when the company can raise cash by selling extensive non-core activities. By requiring it to do so, Brussels can reduce Air France's reliance on the public ties for competition.

Forced disposal

The third question is what other conditions - if any - the Commis-sion should attach to its decision. Air France's rivals are pressing for such measures as restrictions on its fleet capacity and the forced disposal of unprofitable routes. However, imposing on companies purely operational decisions, which should be left to their managements, is one of the more objectionable features of EU state aids policy. Such interventions should not be necessary if subsi-dies are rigorously policed and markets work effectively.

The problem is that neither condition is easily fulfilled where state-owned industries are concerned. Not only are they pro-tected by an implicit guarantee against bankruptcy; the lack of a market for their shares makes it unusually difficult to judge whether state aid is being granted on commercial terms. The right remedy is privatisation. Bruss should press for any state aid to be linked to a deadline for full privatisation of Air France.

Firmness is particularly impor-tant because of the French government's failure to tackle Air France's problems. One reason Brussels was given strong powers over competition policy was to put spine into irresolute governments. Decisive exercise of those powers will not only serve Air France's competitors; it will help the French economy by ending policies which have made the carrier an international advertisement for high costs, poor management. indifferent service and institution-

Too much to expect

short-termism of British industry will find plenty of supporting evi-dence in the CBI's survey on manufacturers' investment appraisal. published today. Despite an unusually sunny climate for investment, many UK companies are acting as if little has changed. The survey does point to serious flaws in many companies' criteria for making investments. But UK businessmen would be short-termist indeed if they were already betting their futures on the end of "boom and bust". In spite of low inflation rates

and the worldwide fall in the cost of canital, the CBI's study found that most of the companies surveyed had not lowered their required rates of return on new investments. Indeed, many still aim for nominal or real rates of over 20 per cent, or impose on projects a pay-back period of two

Findings such as these add plausibility to the off-voiced concern that UK companies are missing a golden chance to invest in higher capacity. Nevertheless, a fair critique must distinguish between two different "failings". The first is using inefficient methods to decide on investments, an undestrable trait in any economic climate. The second is lacking faith in the government's triumphant long-term economic predictions. Investment has been slower to

pick up in the current recovery than in the early 1980s, while capital expenditure by manufacturing companies is expected to improve only modestly in 1994. Economywide, investment fell less as a pro-portion of national output during the recession than was true in previous downturns. For all that, the subdued state of capital outlays in manufacturing is a worry. Are high hurdle rates to blame?

Hurdle of choice

Interpreting the "required rates of return" which companies claim to employ is nearly as perilous as setting them in the first place. In the survey, the CBI makes a fair stab at determining each respondent's hurdle of choice: whether it is measured in real or nominal terms, for example, or before or after tax. Judged by the study's findings, many companies have been slow to respond to recent events, but a more striking feature

lament the of the responses is just how high f British industry many of the hurdles were to begin with. If both real and nominal required returns started at over 20 per cent for many companies, it would have taken large changes in inflation or the real cost of capital to make a significant dent.

Wide variation

The sheer magnitude of hurdles such as this, taken with the wide variation in the companies' replies, indicates that something else is going on. A sizeable minority of companies surveyed is using rates very close to current estimates of the true, risk-adjusted, return on capital. These are likely to be companies with an established habit of closely relating their internal rate of return to current financial market conditions.

Those companies citing the much higher required rates of return may be trapped in inhospitable local credit markets. But they could also be using the rates to reflect a wider range of factors. A vaguely defined conception of the risk involved, for example, or to guard against over-optimism on the part of project planners. Obviously, these are legitimate issues to consider. But using the required rate of return ends up penalising long-term investments. If this is what lies behind some of the high hurdles, the companies concerned would be better off adopting other safeguards, which would treat projects with different time horizons more equitably.

Another explanation is that the penalty on investments which take longer to pay off is intentional. Accustomed to the ups and downs of the traditional UK business cycle, managers demand that new capacity pay off in two to three years because that is roughly how long they think it will be before things turn sour. Over time, greater macro-eco-nomic stability may change mat-ters. On its own, a low inflation rate can have only a limited direct effect on required rates of return: none at all, if a real rate is used. There would be a much bigger impact if inflation were to remain stable over time, since that would imply fewer occasions for government to put on the brakes. By all accounts, companies have yet to see things so favourably. Given their long experience of the oppo-site, this is not surprising.

ompaq Computer is the company that seems to do everything right" competitors say with a touch of envy. While IBM, Apple Computer, Dell Computer and other personal computer manufacturers struggle to

keep pace, Compaq goes from strength to strength. Last week, the Houston, Texas, company reported record secondquarter sales of \$2.5bn (£1.6bn). up 53 per cent from the same quarter last year. Net profits for the quarter were more than doubled to \$210m, compared with \$102m a year before. If sales continue to grow at this rate, Compaq will overtake Apple and IBM to become the world's largest personal computer company ahead of its 1996 target. In terms of numbers of computers sold, rather than revenues, the company is

already outselling all rivals.
Similarly, in the market for PC
"servers" – the computers used to boost the performance of office PC networks - Compaq has stolen a lead with an estimated \$2bn share of the \$5bn world market.

With higher gross margins than any other PC manufacturer and among the highest revenues per employee in the computer industry, Compaq is also a Wall Street favourite. The company's investors have seen the value of their shares soar over the past two years from about \$20 to more than \$90 (before a recent three for one stock split).

Compaq's performance is all the more remarkable because three years ago the company was in crisis. Market share was falling rap idly and profits languished as the company struggled in the face of fierce competition from smaller PC makers offering cheaper products.

In a move that shocked even

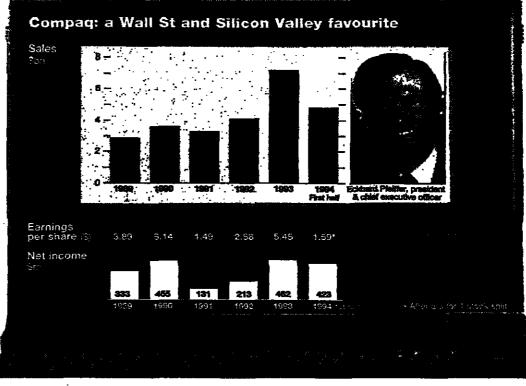
hard-bitten industry observers. Compaq's board of directors fired Mr Rod Canion, the company's popular founder, in 1991 and replaced him as chief executive with Mr Eckhard Pfeiffer, a German engineer who had built up Compaq's Euro-

Mr Pfeiffer has overhauled the company. As other large US computer companies struggle to adapt to rapidly changing technology and market conditions, Compaq's almost textbook turnaround could provide a model. "I know only one mpany to compare ourselves with and that is Compaq," says Mr Enrico Pesatori, a senior executive at Digital Equipment, the Massachusetts-based computer maker, who is responsible for restructuring the computer systems business.

"We can no longer characterise Compaq as just a PC company," he adds. "It is a company that has perfectly interpreted the new style of computing that is emerging, based on networks of PCs."

Louise Kehoe on how the US personal computer group has, unlike others, produced rapid profits growth

Compaq, but it's perfectly formed



For those looking to learn from Compaq's return to vigorous, profitable growth, six main conditions for a turnaround emerge from its story: Swift action. Compaq reacted quickly when its financial perfor-mance declined in mid-1991. Within six months of the first signs of trouble, the company had redrawn its strategy to emphasise the importance of winning market share, realigned its management and begun restructuring its operations. Good corporate governance.
 These steps would probably not have been taken had it not been for pressure exerted on Compaq's manment by its board of directors. Unlike many companies in the computer industry, Compaq's chairman is a non-executive director, rather than the chief executive and all other members of the board (except for the chief executive) are also drawn from outside the company.

This structure "allows the board to preserve its role of supervising management," says Mr Ben Rosen, Compaq chairman. "In good times it doesn't matter how the board is constituted. It is when there is a problem, a corporate issue, a strategic change or a management change that it is very useful to have a truly independent board."

 Cutting the right costs. While Compaq was initially forced to lay off workers, the company quickly refocused on improving its manufacturing efficiency. Over the two years ending December 1998 Compaq quadrupled its production vol-umes while adding only about 500 workers, bringing its total workforce to just over 10.500. "Our strategy was never just to cut costs," says Mr Daryl White, chief financial officer. The drastic cost reductions under way at some of the largest computer companies without much evidence of efforts to boost reve nues "is very dangerous; they are on a downward spiral", he observes. Willingness to change. "The cleverest strategy is useless unless management has the willingness the guts, to implement it," says Mr Gian Carlo Bisone, Compaq vice-president responsible for US marketing. "We had to change the mindset of the whole company from building the highest-performance products in the industry to building products that are well positioned to take advantage of the 'sweetspot' of the market at the right cost, so that we could price them aggressively." Becoming "customer focused": Compaq adopted this philosophy earlier than most and moved aggressively to make the changes needed for the term to be meaning-

ful. "The key decision was to shift

this company from being a product-

tomer-centric company," says Mr Bisone. Until 1991, for example, Compaq sold its products exclu-sively through independent computer dealers (chains such as Com-

puter Land that dominated the PC market until the late 1980s).
Today, says Mr Bisone, "we sell computers wherever the customer wants to buy them. If they want to buy them in gas stations, that is where we will sell them". It has not the sell them the sell them to the sell them. come to that yet, but Compaq PCs are sold by mail and telephone, in department stores as well as

through traditional dealers. Another radical change for Compaq was to broaden its marketing operations. To be profitable at competitive prices, the company had to increase the volume of its sales. That meant addressing every segment of the market. "We have more than doubled the size of the potential market we go after," says Mr

 Set aggressive goals. From its drive to create cost-competitive products in 1992 to its current ambitions to take over market leader-ship, Mr Pfeiffer has always set 'stretch" goals for Compaq.

Despite its impressive achieve ments, the history of the personal computer industry suggests that ast success is no guarantee of future prosperity. The danger Compaq faces is that its fast rate of growth could mean a slip leading to a serious setback.

One of the toughest challenges the company faces is how to ensure it can meet unpredictable demand for its products. Last year, for limited by parts supply problems. In an attempt to overcome this

problem, the company has encouraged its suppliers to collaborate on "just-in-time" delivery to its Houston factory. Parts are stored in a warehouse close to the plant, with ome parts being delivered hourly.

🖥 o keep up its hectic pace of growth the company has this year begun expanding its manufacturing facilities at all three existing sites - in Texas, Scotland and Singapore while also opening a factory in Brazil and an assembly plant in China. Simultaneously, Compaq is develop-ing products that will take advantage of advances in multimedia and interactive television. On the corporate computing front it is improving the performance of its servers to challenge IBM and Digital.

Some observers worry that Compaq may be stretching itself too thinly. But it remains confident. The best companies are those that have hit the wall and bounced back quickly," says Mr White. "The plank that hit us over the head in 1991 is still indelibly etched on our foreheads," adds Mr Rosen.

An economic hero for Tony Blair

suspect Mr Tony Blair, the new leader of the British Labour Party, is keen to keep abreast of US economic ideas. His advisers regard the Clinton administration, for all its failings, as a valuable role model. My advice is to steer well clear of the US economic establishment: there is little or nothing he can learn from the Harvard/MIT-types now in charge in Washington Intellectually, they have not progressed far from the naive interventionism of the 1960s; and they are recycling old ideas under the unimaginative rubric of "new Keynesian economics".

The kind of thinker from whom Mr Blair could gain important insights is Professor James Buch-anan, the 1996 Nobel economics laureate, now at George Mason University near Washington DC. Mr Blair should not worry that Buchanan cites Hayek as an important influ-ence and considers himself "fundamentally a libertarian". In the 1940s British Labour leaders had the courage to embrace the ideas of Keynes, who was hardly a socialist. Haif a century later, Buchanan has much to teach social democrats who are struggling to come to terms with the market.

The aspect of Buchanan's thought that is likely to have greatest appeal for Mr Blair is his concept of

"constitutional economics". economists analyse economic decisions within a pre-existing institutional framework: the subject is about "choice within constraints". Decades ahead of his colleagues Buchanan began to emphasise the broader framework: the "choice of constraints" as he puts it. Rather than trying to micro-manage eco-nomic decisions the government should focus on the rules under which the game is played. Better rules can conceivably improve prospects for everybody.

The importance of institutions is now better understood. It has, for example, become a cliché to argue that the Bretton Woods conference of 1944 helped promote global eco-nomic growth by creating a supportive framework of rules and institutions; 50 years on, politicians are beginning to grasp that a new institutional structure is required in today's quite different financial landscape.
But the ideas of constitutional

economics can be applied more broadly. Take training. Rather than planning heavy-handed interventions, Mr Blair should formulate a "training constitution" - a stable set of rules and institutions, tailored to the 1990s, designed to help young people help themselves. By Labour's undemanding stan-



MICHAEL PROWSE OR AMERICA

dards, Mr Blair already seems sceptical of the public sector's ability to work economic miracles. Reading Buchanan might greatly enhance that scepticism. He is famous (or perhaps infamous) within the economics profession for having turned the tables on interventionists by arguing-convincingly that "govern-ment failure" is a more serious threat than "market failure".

When Buchanan reached economic maturity in the 1950s, most of his colleagues were just discover-ing the concept of market failure. They thought they had scientifically proved that free markets achieve optimal outcomes only if the most demanding conditions are met, for example, that economic agents have perfect information and

can make transactions costlessly. Since such conditions do not hold in the real world, markets necessarily "failed". Government thus had carte blanche to intervene.

Although endorsed by the profession's great intellects, it was a nonical models that themselves have no foundation in reality. The practical question is whether there is a better alternative. Buchanan argued there usually is not, because bureaucrats and politicians are more likely to err than markets.

In one of many direct hits, he exposed the inconsistency of main-stream economists' assumptions about behaviour in the private and public domains. The orthodox view was that individuals in the private sector strive to maximise their "utility" or satisfaction but, once they cross the public sector's portals, instantly reinvent themselves

as promoters of the public good. Without denying the possibility of selfless action in either the public or private spheres, Buchanan deflated confidence in government by arguing that it was more plansible to assume that politicians and civil servants are typically self-serving. Like the rest of us, they care more about their own careers than the nation's welfare.

Buchanan supported this argument with an even more fundamen tal observation. Government is not a simple entity that can be entrusted to make rational decisions. Modern democratic government is instead a messy conglomersensical argument. Markets fail ate of disparate interests. Building only relative to idealised mathemat-19th-century Swedish economist, he argued that the appropriate boundaries of the state depend in large measure on arcane details such as voting rules and the structure of legislative assemblies.

Roughly speaking the nearer that voting rules approach unanimous consent, the greater the number of functions that can safely be entrusted to government. Under simple majority voting, the favoured approach today, govern-ment's scope should be sharply restrained, lest it trample on the rights of minorities.

Buchanan is not just a fountain of ideas; unlike many well-heeled Keynesians, he also has the credentials of an authentic Labour hero. Since his family could not afford an elite private college he attended Middle Tennessee State Teachers' College in Murfreesboro, paying his way by milking cows morning and night. The message for the less privileged: stop bleating, start working and you too may win a Nobel prize.

OBSERVER

Caracas chestnut

 does something exist if nobody sees it? - has been dusted off in Venezuela, where president Rafael Caldera's government last week suspended some constitutionally guaranteed freedoms.

Caldera has also imposed foreign currency exchange controls. To defeat any foreign currency black market, officials now may levy large fines and impose jail terms of up to eight years.

More entertainingly, the legislation says fines up to \$5,800 may be imposed on any news medium which even mentions the activities of a Venezuelan currency black market or cites anything but official exchange rates.

So, not wanting to incur Caldera's wrath, let's set the record straight. You will currently get 170 Venezuelan bolivars for \$1. Officially. Any other rates do not exist; even if the guy who offers them looks real.

Both barrels

 Onward marches the UK nanny state, despite a government spiritually, if not actually,

committed to minimising state interference.

The latest inroad comes from the Health and Safety Executive, with its first-ever guidance for eepers; there are about 5,000 gamekeepers; there are about 5,00 full-time gamekeepers in the UK, with an estimated 28,000 part-timers.

The HSE's missive drives home the message that, far from imbroglios of the type conte by D.H. Lawrence in Lady *Chatterley's Lover*, conten guardians of winged snacks face much greater hazards from faulty or damaged guns.

Another danger, of course, is carelessness during beating; something of a Lawrentian trope, after all.

Hard stuff

■ Democracy has its costs, as Russians are discovering. According to the Russian daily newspaper Iznestia, the typical Russian male now consumes more than 80 litres of vodka annually.

The latest figures, from 1992. indicate that alcohol consumption has returned to the levels of 1984. the bad old days before former Soviet president Mikhail Gorbachev launched his anti-booze drive.

More alarmingly, life expectancy for men has dropped from 65 years

in 1987, at the peak of Gorbachev's crosade – to 59. Anyone for lemonade?

Saintly work

■ Here's a nice little earner. The Foreign and Commonwealth Office has placed an ad to find a UK representative for St Helena, to be based in the UK.

The salary, about £20,000 mnually, is not inordinate wealth but perhaps appropriate to the task of representing an island measuring just 10 miles by five miles.

Apart from ensuring the Federal Bureau of Investigation properly conducts its analysis of Napoleor Bonaparte's nine hairs – the FBI has been searching for traces of rsenic in the remains of the island's most famous inhabitant and overseeing the recent introduction of television for the 5,700 inhabitants, the job might not be thought onerous, especially given the steady decline of the sland's flax industry.

Preference will be given to St Helenians, "but consideration will be given to any appropriately nossession of financial/commercial experience and "current knowledge of St Helenia" (sic).

Tee-off

Golf, the great uniter. At least that's how it might appear to Wang Jun, deputy director of the China He's visited Taipei to meet

leading Taiwanese golfers and hold talks on the joint development of golf courses in China. His host was Chen Chung-Kuang, head of Taiwan's golf association.

Coincidentally, Wang is a son of the late Chinese vice-president Wang Zhen, as well as president of China International Trust and Investment Corp, one of China's

leading state conglomerates. Could have been an interesting chat at the

Out of flavour ■ By now the whole world knows

that one of the more interesting chief executiveships is up for grabs. Ben and Jerry's, the US ice cream company founded by New Yorkers Ben Cohen and Jerry Greenfield threw the field open - and has been swamped by more than 22,000 CVs.

But how much will the new boss get? Ben and Jerry's has abandoned its egalitarian policy of paying top executives no more than seven times lowest-paid employees, who get an estimated \$20,000 annually, giving Ben and Jerry \$140,000 under

the old regime. The company is now hoping to make it in Europe, starting with the UK. Trying to flog the hanana-tasting Chunky Monkey to Wigan presumably warrants more

than the peanut-flavoured cheque previously on offer.

Myopic

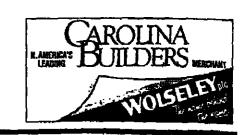
■ Tips from the New York Times on how to avoid motion sickness: "Look ahead at distant objects or the horizon, or at the road ahead if you are driving, or close your eyes."





FINANCIAL TIMES

Monday July 25 1994



Britain to press ahead with search for peace

Sinn Féin rejects UK proposals over Ulster

By Philip Stephens in London, and William Lewis and John McManus in Letterkenny

The UK government signalled last night that it would press ahead with a search for a deal between Ulster's constitutional parties after Sinn Féin dismissed the Downing Street declaration

as inadequate.

The rejection by a Sinn Féin national delegate conference appeared to confirm the London government's view that Mr Gerry Adams, Sinn Féin's president, cannot persuade Irish Republican Army hardliners to call a cessation of violence.

Amid anger and disappoint-ment in London, British officials made it clear that there was now no question of involving Sinn Féin in the talks aimed at establishing a new political settlement in Northern Ireland.

Mr John Major and Mr Albert Reynolds hope to produce in Sep-

for such a settlement. Officials dismissed Sinn Féin's demand that the London and Dublin governments move fur-ther to "clarify" the Downing Street declaration by diluting the veto of the unionists in Ulster

over constitutional change. In its first formal response to the declaration, Sinn Féin described it as inadequate, but said that it would work to overcome the obstacles. It said the declaration was a "step in the peace process" but did "not deal adequately with some of the core issues and this is crucial".

Speaking last night at the delegate conference, called to approve the governing executive's response to the declaration, Mr Adams said Sinn Fein had recommitted itself today to constructing this foundation, by building on the positive elements of the Downing Street declaration and by seeking to overcome the

However, Mr Adams stopped

end its campaign of violence thereby ending hopes that Sinn Féin would be able to take part in cross-party talks that the British and Irish governments hope will start this autumn.

The Downing Street declaration offered a place at the negotiating table to Sinn Fein if it formally and permanently renounced violence.

Ahead of the conference, held amid tight security in the bordertown of Letterkenny in the Republic of Ireland, there had been growing optimism that the ing would decide to call on the IRA to announce a summer cease fire. But Mr Adams said vesterday that the IRA would be making its own decision on the

Sinn Féin listed 11 aspects of the Downing Street declaration about which it was unhappy, including the so-called unionist veto over any changes in Ulster's

Japan reaffirms support for S Korea in nuclear dispute

co-operation with South Korea on solving the North Korean nuclear dispute during a weekend meeting between the two countries' leaders in Seoul

He urged North Korea to ahandon its nuclear programme and

Mr Murayama promised that

programme were removed. Tokyo would also consult Seoul on any negotiations it has with Pyong-

Senior members of Japan's former ruling Liberal Democratic party, the dominant partner in Mr Murayama's coalition govern-ment, had preliminary discussions with North Korea about diplomatic recognition before the talks were suspended in 1992.

Japan is willing to provide financial assistance for the supply of safe light-water nuclear reactors to North Korea once the nuclear issue is solved, Mr Muravama said.

The new Japanese sovernment has offered to spend \$1bn on programmes to improve ties with during the second world war. But South Korea appeared to be cautious about the proposal, indicating instead that it favoured direct payments by Japan to the women who had suf-

President Kim Young-sam asked that Japan also takes measures to reduce Seoul's trade deficit with Tokyo, which is expected to increase to \$10bn this year from \$8.5bn in 1993 because of the strong yen.

South Korea depends heavily on Japan for supplies of Industrial components and machinery. It wants Japanese component makers to establish production facilities in South Korea to reduce the deficit. Japanese combecause of South Korea's high

bank's shaken credibility.

possible changes, but action at the bank's next council meeting, due on August 18, is generally considered unlikely.

tion since Mr Hans Tietmeyer. Bundesbank president, and Mr Johann Wilhelm Gaddum, his deputy, are close associates of Chancellor Helmut Kohl. However, relaxing rates after the elections might tempt trade union pay negotiators to put in inflationary demands in the 1995 pay round, due to start in November

The Bundesbank has consistently warned that pay and public spending must be kept under tight control for several more

By John Burton in Secul

Japan reaffirmed its close

The visit by Mr Tomiichi Murayama, the new Japanese prime minister, was meant to calm worries in South Korea that his position as leader of the Japanese Social Democratic party. which has supported North Korea, would affect relations with Secul.

matic relations with North Korea the forced recruitment of Korean until suspicions about its nuclear women as military prostitutes wage costs.

European

focusing on making it easier to share child-rearing duties.

Greater convergence of social

The white paper will also dis-

cuss how to achieve a better com-bination of economic and social

policy. Picking up on one of the

Europe today

job laws

Continued from Page 1

Healthcare reform

accepted that in tackling "the biggest social policy challenge this country has faced in 60 years" there would be "give and take and a lot of changes" as Congress moved towards a final resolution. He said: "The one thing that can't change is universal coverage and that has to pass this year".
Mr Gephardt and Mr Mitchell

themes of last year's white paper on employment - inspired by Mr refused to speculate on the Jacques Delors, the outgoing Commission president - it will details of their respective bills, beyond noting that they would discuss how to strike a better balinevitably reflect compromises

committees. But Mr Gephardt agreed with Mr Gore it was "reasonable" to expect delays in introducing so-called employer mandates, under which companies would pay for a substantial part of the insurance premiums

of their workforces. He suggested a four to five-year lag before full implementation, while Mr Mitchell said emphasis on introduction by a given year would be "misplaced". All three also ducked all ques

tions on the favourite Washington pastime of the moment - determining what constit-utes "universal" medical cover-

FT WEATHER GUIDE

End to rate cuts in sight, says Bonn adviser

By Christopher Parkes

The period of falling German interest rates is drawing to a close, according to one of the Bonn government's most senior independent advisers.

Prof Herbert Hax said on radio yesterday that the economy had improved so much that further cuts in short-term rates were unnecessary; the Bundesbank also had to be careful to protect its credibility. He added that the recent weakness of the dollar did not reflect real economic conditions in the US.

The Bundesbank last week

appeared relaxed about recent rapid growth in the M3 money supply measure, saying the raw figures overstated the real case. However, Prof Hax, who is chairman of the government's council of economic advisers, said the inflationary danger from M3 expansion was too great. As long as money supply was not under control, the most markets could expect were quite small interest rate corrections, he said. "It is possible that we will have a further small reduction in the course of the winter. But I have the impression that we will soon arrive at the end of interest rate

Many private sector economists still believe the internationally important discount rate will be down from 4.5 per cent to 4 per cent by the end of the year, with more easing possible if inflation falls further in early 1995.

However, pressure from outside Germany for more cuts has eased, and the export-led economic recovery appears to be progressing smoothly. If these conditions continue, the Bundesbank could elect to extend the pause instituted after its unex-pected mid-May reduction in the discount rate.

This cut was interpreted by many observers as an uncharaccloser analysis of any inflationary dangers in the M3 distortions could also serve to restore the

Opinions differ on the timing of

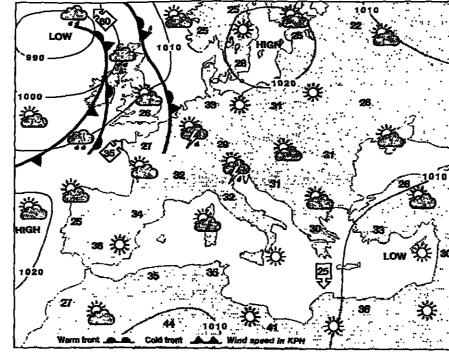
Any cut too close to the federal elections in mid-October might draw charges of political motiva-

between the various bills already dards and job creation. approved by four congressional

Most of Europe will stay hot. Only Ireland and Scotland will be cooler because of a nearby low pressure system. The front associated with the low will bring cloud and rain to Ireland. England will start the day with sunny periods and temperatures will rise to 22C-28C. A mass of very warm and moist air will be present over the Benelux, France, the Alps and southern Germany. There will be some cloud and thunder showers may develop during the afternoon and evening. The Mediterranean will have plenty of sun with the highest temperatures in Spain. Scandinavia will be sunny and warm although the far north will be cooler with

Five-day forecast

The cooler air over the UK will push slowly towards the western parts of the continent. However, most areas will stay hot with thunder showers, especially in the wester countries. Norway will become cooler and unsettled, but the rest of Scandingvia will remain dry and warm. The Mediterranean will be sunny and warm.



TODAY'S TEMPERATURES



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THE LEX COLUMN High voltage

The story that has been driving regional electricity company shares higher is largely one of dividend growth. Sure, the regulator Prof Step-hen Littlechild will curb the compa-nies' profits when he publishes his new price cap regime next month. But given that dividends are typically covered three times by earnings and balance sheets are debt free, the compa-nies should have no problem delivering real dividend growth of 5 per cent or more.

There is little wrong with this story as far as it goes. The professor has already softened his proposed regime once in response to determined lobbyng from the companies. The betting i that he will give further ground, lol-lowing another round of lobbying over the past few weeks. The most likely scenario is that the companies, currently massive cash generators, will end up in cash-neutral or modestly cash-negative positions. Any treated more harshly than this should appeal to the Monopolies Commission. It would have a good chance of winning. Electricity distribution is such a low growth industry that it is unreasonable to expect the companies to become substantially cash-negative.

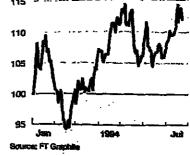
Whether they should react to a satisfactory regime by increasing real dividends at 5 per cent a year is another matter. Such a rate of increase would be not be in line with their ability to raise earnings. As a result, dividend cover would fall to two or less by the end of the century. Instead, they should be planning more aggressive moves to gear up their balance sheets than the small-scale share purchases so far envisaged. Investors would do better if cash was paid out of the businesses now and dividends were then raised in line with earnings.

Telefónica

Telefonica will be parading the virtues of its international arm when it holds its pow-wow with GTE this week. The US telecoms operator is one of the candidates to take a stake in the Spanish group's Tisa subsidiary, which consists of shares in a collection of Latin American phone companies. AT&T and Unisource, an alliance of European operators of which Telefónica is a member, are also candi-

Strategic considerations will be important in choosing partners. A link-up with GTE, which also has sizeable Latin American interests, would

Share price relative to the FT-SE-A All-Share Index



a continent-wide system. A combined entity would be better able to plan that most lucrative international calls were channelled over its networks. Bringing in AT&T and/or Unisource could advance Telefonica's other objective of not being left on the edge of the big global alliances now hammered together by BT, AT&T and France Télécom/Deutsche Telekom. Given its multiplicity of objectives, the Spanish group may try and sell stakes

to all three foreign groups.

If debt-laden Telefónica can sell cach a 10 per cent stake in Tisa for the \$600m-\$700m that is currently being bandied around, that would be quite a coup. Not only would Tisa gain sufficient funds to build out its franchises but Telefonica would also retain con-

German banks

Next month's launch of money market funds in Germany will not only raise questions about redefining the money supply but also promises to put pressure on the earnings of commercial banks which stand to lose cheap retail deposits to the new funds. The extent of the squeeze on margins is hard to gauge but it is unlikely to be as severe as that facing French banks when money market funds were launched there in the late 1980s. That was a period of high short-term interest rates, which made the funds particularly attractive to individuals who received very little reward on their bank denosits.

Still, there were large flows of German savings into Luxembourg last year when money market funds where permitted there. That suggests a reasonably high proportion of bank time further Telefónica's vision of creating deposits are footloose. The banks on brand value.

recovered many of these deposits when German tax rules were changed at the start of this year. The risk is that they will now lose them again to the money market funds.

Broker Fox-Pitt Kelton suggests that some 40 per cent of retail time deposits could move into money market funds over the next couple of years. Though the big banks would be able to offset some of the higher funding costs with commission income from manage ing the new funds, they would still experience a shortfall of some 4 per cent in net earnings. The natural response of larger banks would be to compensate by adding volume. They are well placed to take business away from regional institutions which will find it harder to establish money market funds of their own. The new funds could thus accelerate consolidation in the German banking industry as well as changing the way business is done

It is only a straw in the wind at the moment but the pace of discounting in the UK beer trade seems to be abating While the big brewers continue to fight fiercely over the large national accounts, they have become less keen to offer wholesale discounts to their smaller customers. Such a development is only logical. It was clear from Bass's interim profits in May that discounting had failed to produce the required reward in terms of volume Courage needs a more substantial strategy to cope with the looming expiry of supply contracts with Chef &

Brewer and Inntrepreneur.
Coupled with the warm weather which should do wonders for beer sales, that may explain the renewed outperformance of Bass's shares over the past month. The equity market is in for a disappointment, though, if it is factoring in much of an increase in brewing margins. It is not just a ques tion of excess capacity in the UK industry continuing to prevent much actual increase in beer prices. The supermarkets have shown that it is possible to import European lager and sell it - even duty-paid - at competitive prices. Against that background the level of domestic capacity use becomes less and less relevant.

Brand development thus remains a more convincing strategy than a pricebased attempt to gain market share. In Carling and Tenneut's, Bass has bestselling lagers. But Whitbread still

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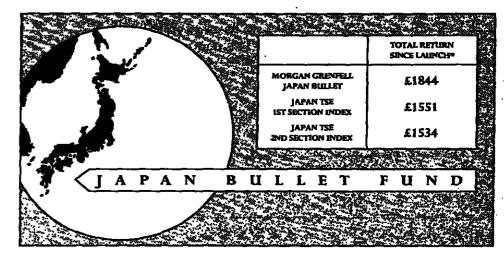
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RICHE SANIO

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"Source: NAY to NAY, gross income reinvested since layers [7.2,92] to 1.7,94.

r that past performance is not necessorily a guide to future returns. The value of Shores and income from them re-stors may not get back the original amount invested. Changes in exchange rates may also offer the value of you and by Morgan Granicii Investment Funds tid, 20 Finsbury Circus, London ECZM 1UT. Member of IMRO.





FINANCIAL TIMES

COMPANIES & MARKETS

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Standard

Chartered

submits to

HK inquiry

By John Gapper in London and

Standard Chartered, the UK-

based international banking

group, is co-operating with an

independent investigation in

MARKETS

GLOBAL INVESTOR

In Japan bond prices had already been under pressure for most of the year as the market became caught up in global expectations of higher inflation. But now the fixed interest market is under attack from the supply side, as investors fear that the new coalition government is set to pump up a ballooning deficit. Page 21



PETER NORMAN: ECONOMICS NOTEBOOK if anybody deserves a prize for persistence, it is Michel Camdessus, managing director of the IMF. He has kept urging an issue of special drawing rights, the reserve asset created by the IMF. His hopes are high that he will win backing for an SDR issue at the IMP's annual meeting in October. Page 21

Just when it seemed safe for investors to wade back into the US Treasury market, Mr Alan Greenspan blew his warning whistle again. The menace is higher inflation. Page 22

A fresh tide of corporate results will sweep through Wall Street this week, but any positive impact is ilkely to be limited to a few individual stocks. Signs that the worst may be over for the dollar have invited investors in the UK market to celebrate growing evidence of strong and accelerating economic growth and subdued inflation. Page 23

EMERGING MARKETS:

Brazil's new currency, the real, could trigger a stock market surge. But while inflation is expected to fall, political uncertainties surrounding the October elections and an overvaluation of the new currency have so far prevented a large capital inflow. Page 23

With the Bundesbank having set out its stall, attention will revert to US monetary policy, with the focus on second-quarter GDP due on Thursday.

Tomorrow the Brazilian government will issue the first official assessment of the damage done to its coffee crop by the frosts of two and four weeks ago. Page 21

INTERNATIONAL COMPANIES:

Bankers Trust has seen a strarp fail in its income from selling derivatives to companies and others in recent months. The New York-based bank said profits from what it calls "client financial risk management" dropped to \$50m in the three months to the end of June, down from \$114m in the previous three months. Page 19 19

J Sainsbury is expected to join battle with rival Tesco this week by launching a counterbid for Wm Low, the Scottish supermarket group. Page 18

Grenfell.

sice in Japan

London share service . 29-31 Managed fund service 25-29 New int bond issues .

US companies are almost certain to be forced to take the costs of stock options as a charge against profits within the next three years, under proposals being considered by the US Financial Accounting Standards Board

Companies will also be required by the end of this year to provide substantial additional details on their use of financial derivatives such as swaps and currency hedging instruments,

r Carl Reichardt has decided to quit while he is ahead. The 63-

year-old Texan heads what is

generally regarded as one of the

est-run big US commercial

banks, with stock market ratings

Driven by falling costs and

expansion into mutual funds and

other investment products, Wells

Fargo's shares have jumped from

under \$15 when Mr Reichardt

took over to more than \$150.

They are now trading at nearly

and a multiple of 10.5 times this

year's projected earnings. The

question now is, what can it do

Mr Reichardt announced last

Tuesday that he will retire at the

end of this year, after 12 years as

the bank's chairman and chief

executive. The move clears the

way for Mr Paul Hazen to take over. Currently the bank's presi-

dent, 54-year-old Mr Hazen has

already served as Mr Reichardt's

ago to break the news to Mr War-

ren Buffet, the US investor who

is Wells Fargo's biggest share-

holder. "He doesn't think people

should retire - ever," Mr Rei-

Mr Buffett's close interest in who is at the helm of the San

Francisco-based bank is under-

standable. He bought 10 per cent

of Wells Fargo's shares in 1990

for around \$290m, and has since taken his stake to 12.6 per cent – a holding worth slightly more

than \$1bn. Mr Buffett last week

declared himself "more than com-

fortable with the new leader-

Mr Hazen indicated that he

intended to continue with the for-

mula that made his double-act

with Mr Reichardt a success.

There's a lot of growth still in

the basic businesses," he said.

The next two to three years will be spent increasing Wells Fargo's market share with a number of

number two for a decade Mr Reichardt and Mr Hazen flew to Philadelphia two weeks

for an encom?

chardt said.

2.2 times the bank's book value

under a separate accounting standard due out in October.

ing policies on derivatives, the quantitative effects of these instruments and what they hope to achieve by their use.

Mr Dennis Beresford, chairman of the board, was confident a solution could be found to concerns about how to measure reliably the cost of options, the shares awarded to compensate senior executives. Options are

ing, investment products and

He also talks of expanding

Wells Fargo's commercial prop-

erty lending again. Despite the

market downturn at the end of

the 1980s, "when you look at it

over a whole cycle, returns were

extraordinary", he says. Heavy commercial property

lending was nearly the death of

Wells Fargo. Its \$13bn of loans at

the end of 1990, against share-

holders' funds of \$3.4bm, made it

the most exposed big bank in the

country to the property down-

turn (its share price halved, to

during the summer of 1990).

nd \$40, in a matter of weeks

Unlike many others, it did not

rush to liquidate loans. Many of

the assets recorded as non-per-

forming today yield around 8.5

per cent in cash. "That's a hell of

According to Mr Reichardt,

over the past six months Wells

Fargo has begun "buying portfo-

a non-performing portfolio."

consumer lending

widely seen as a form of remu-

Members of FASB are considering about 10 approaches to valu-ing options after their previous approach was attacked for allocating them too high a cost.

1986, 96 91

looking at troubled loans". Inter-

nal rates of return on these

investments are in the range of

Meanwhile, Wells Fargo seems

unlikely in the near future to

take any of the radical steps

being considered last year a hig

bank merger, for example, or a

move to give up its status as a

bank holding company alto-

any US bank chairmen

talk whimsically of

V A dropping their bank

charters: it would liberate them

from the costs of the federal

the equal lending provisions that,

bankers claim, put them at a dis-

advantage to non-bank rivals. It

also "gives the holding company

greater flexibility in its activities,

can own it", said Mr Hazen.

as well greater flexibility in who

Wells Fargo got further than most in debating the issue. How-

20-30 per cent, he says.

Wells Farge: blunding back to a premium rating

techniques developed were no

sure before forcing companies to

Hong Kong into alleged malprac-tice in its bullion dealing arm. The bank is understood to be forwarding information from an Richard Waters reports on how Wells Fargo, the US bank, plans to sustain growth internal inquiry into allegations of corruption and bribery to Heir steps in to take the encore

into allegations that employees of Mocatta, its bullion division,

tigation, and keeping all the regulatory authorities involved informed on a regular basis," said the bank. The investigation would carry on for "as long as it takes" to sort out the issue.

involvement of the anti-corruption commission, but it empha-sised that it had started its inquiry after a review of controls

Mr John McFarlane, the Stan-

The Mocatta allegations follow the bank's suspension from new issue activity in the colony until next April because of the involvement of its securities arm in share price support schemes in a series of company flotations. The bank said last week that it had completed an inquiry in Malaysia into the disappearance of a \$10,000 gold coin, which was

given to a former Malaysian deputy finance minister as a "sample" and disappeared after he passed it on to a consultant. Mr Stephen Goh, the consultant, recompensed the bank after he mislaid the coin.

ary listings in Hong Kong and Singapore because of unfavourable market conditions. It said the decision

connected with the Mocatta investigation.

US to take action on stock options

By Andrew Jack in London

The standard will require companies to disclose their account-

neration which have a cost to

Mr Beresford's determination comes in spite of protest from companies, Congress and accountancy firms that the proposals will impair financial perfor-

less accurate than those used for other uncertain areas in accounting which are already charged as costs, such as provisions for bad debts or valuation of obsolescent

The revised FASB stock option proposals are unlikely to be circulated until the first quarter of next year and may still be delayed for further consultation. The original proposals allowed three years for additional disclo-

300

200

100

ever, the alternative that it con-

sidered - becoming a savings and

loan institution - would have

brought its own limitations, prin-

cinally in the form of a restric-

tion on the bank's ability to

make commercial loans. Despite

this, the issue of whether to give

up being a bank "is still one we

might look at from time to time".

Nor does Wells Fargo seem

likely to become involved soon in

a big takeover or merger. Mr Rei-

chardt talks with regret of his failure to persuade First Inter-

state, the bank's Los Angeles-

based neighbour, to agree to a

theoretical standpoint, putting

together two large branch systems like this... and being able to take out \$400m-\$500m

expenses a year is a sensible

Wells Fargo's \$52bn and an

extensive branch system in the

With \$54bm in assets against

business proposition."

He adds: "I think that fro

Mr Hazen says.

take the costs of the options as a charge. Mr Beresford said the revised plans might compress this intermediate period into two years, so that companies would still be required to show the cost of options in their profit and loss accounts for fiscal year-ends from

Derivatives have come under increasing scrutiny over the past few months following a series of occasions involving their mis-

western US First Interstate

would have provided a spring-

board for the bank to mount a

stronger challenge to BankAmer

ica, the giant West Coast bank

created by the merger with Secu-

Reichardt now talks of spending

the bank's money on buying its own shares instead. With a tier

one capital ratio of 10.1 per cent,

Wells Fargo is well endowed with

The bank has just approved

purchases of up to 10 per cent of

its own shares (though it has set

no timetable for the exercise) at a

cost of around \$800m at the cur-

help to support the bank's earn-

ings per share in the short term.

question of how Wells Fargo can

maintain the earnings growth

that made Mr Reichardt, accord-

ing to Forbes magazine, "Warren Buffett's favourite banker."

But it does not answer the bigger

The buy-back programme will

Jilted by First Interstate, Mr

rity Pacific two years ago.

the Independent Commission Against Corruption, an indepen-dent anti-corruption body with police powers, in order to reas-sure banking regulators in the Standard said its investigation

used false expenses claims to finance bribes for officials in Malaysia and the Philippines was continuing, although the Malaysian end had been completed.
"We are continuing our inves-

Standard could not confirm the

dard Chartered director who has taken charge of Mocatta within a new division, said last week that the bank had told managers that it would not tolerate repetitions of similar behaviour.

Standard said yesterday that it had delayed its planned second-

This week: Company news

US CARMAKERS

GM and Ford on the road to a turnround

big US carmakers is continuing is likely to come later this week, as General Motors and Ford report second-quarter figures. Chrysler unveiled strong results two weeks ago, adding to optimism about the outlook for its niggest rivals. Ford is expected to report a further big step in the return of its European operations to profit for 1994, after three years of losses. General Motors, meanwhile, continues to look to strong demand in the US and the restructuring of its North American

Confirmation that the turnround of the

DEUTSCHE BANK Kopper must restore tamished image

Mr Hilmar Kopper, Deutsche Bank's irascible chairman, will be choosing his words carefully when he opens the German banking sector's half-year reporting season tomorrow.

Although he enjoys barking at the press, he has been advised that it is time to start refurbishing Deutsche Bank's public image after recent calamities, including the near collapse of Metallgesellschaft and the Schneider

While more mishaps cannot be ruled out as the German recession unwinds, and DM500m (\$318.4m) has already been set aside to cover Schneider losses, the hank's recent statements that it expects 1994 provisioning for bad and doubtful debts to fall from last year's DM3.3bn

appear confident enough. Operating earnings profits after provisions were down 10 per cent after four months, but there is increasing confidence among investors and analysis that some ground will be made up by the year-end, even though last year's record DM5.Son appears to be out

Brighter hue despite patchy paint finish

Imperial Chemical Industries, the UK's biggest chemicals group, reports second-quarter results on Thursday. Estimates range from £110m to £130m (\$201.5m), against £96m for the same period last year. Most observers are bullish about prospects. ICI is benefiting from its exposure to the buoyant US and Asian markets, and the recovery in the UK. The only fly in the ointment is continental Europe, but US groups that have already reported second quarter results have noted some

octanic quarter results have noted some upturn in demand there.

The continuing improvement in demand will mainly help the industrial chemicals division and regional businesses. Prices for some of ICI's important products - such as PVC and PET - have been rising strongly in recent months. Brokers Kleinwort Benson expect the industrial division to post operating profits of £35m to £54m, with the regional businesses registering

about £15m. The only business that could report lower operating profits is the paint division. Brokers Kleinwort Benson are expecting flat results at £32m, but James Capel is predicting a fall year on year, because of a squeeze on prices in the UK decorative market. Raw material prices, essentially pigments, have also been rising, putting pressure

Most analysts expect the interim dividend to remain unchanged at 10.5p.

Digital set for a fourth year of woe

Digital Equipment is expected to report its fourth consecutive year of heavy losses tomorrow. The troubled US computer company has said that it will take a \$1.2bn restructuring charge to axe 20,000 jobs over the next 12 months plus asset write-offs of \$350m-\$400m. Analysts also predict operating losses for the latest quarter of \$100m or more. Digital may also detail further divestiture plans following last week's agreement to sell most of its data storage business to Quantum, a Silicon Valley disk-drive manufacturer.

■ Norak Hydro: Norway's biggest quoted company, announces second-quarter figures today, with analysts expecting net income of around NKr700m (\$101m). Although this is much lower than last year's NKr2 13bn, when a NKr1 8bn exceptional gain was included, the underlying performance will be up sharply due to rising oil, aluminium, fertiliser and petrochemical prices.

■ Siemens: The big German electronics and electrical group which earlier this month amounced heavy lay-offs and forecast a decline in operating profits of up to 15 per cent for this year, is due to publish third-quarter results today.

■ Du Pont and Dow Chemical: The two chemical giants are expected to report advances in second-quarter profits this week, reflecting higher sales volumes in

Monsanto and Arco Chemical topped most earnings predictions, thanks to the strength of demand from US car and housing markets. Du Pont is expected to report a rise in earnings per share from 79 cents to between \$1.00-\$1.10, while Dow Chemical should see a more modest rebound.

■ Reuters Holdings: The UK financial information and news group will emphasise its international and bigh-tech credentials on Wednesday by presenting interim results in New York. The meeting will be transmitted live by satellite to London, where analysts expect pre-tax profits of about £245m (\$379.6m) for the six months to June 30, compared with £215m last time.

■ Creditanstalt: The Austrian bank is scheduled to report its half-year results on Friday smid growing uncertainty over the government's privatisation

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Pechiney Property Trust 19 Rizzol-Contere Royal Oak Mines S G Warburg Sainsbury (J)

Simon Engineering

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COMPANIES AND FINANCE

Sainsbury expected to bid for Wm Low

By David Wighton

J Sainsbury is expected to join battle with rival Tesco this week by launching a counterbid for Wm Low, the Scottish supermarket group.

Sainsbury has been examin-ing the detailed financial information on Wm Low it had requested and although it is thought that it has not yet made a final decision it is widely expected that it will top Tesco's 225p a share bid.

By the end of last week Low's shares had climbed to 265p as the City decided a move by Sainsbury was almost certain. The shares jumped 67p to 236p when Tesco launched

Rival supermarket chains a further 12 stores in the north also expect Sainsbury to overcome its historic aversion towards hostile takeover bids. "Sainsbury cannot afford to sit back and let Tesco steal a march on it in Scotland. There is only one Wm Low," said an adviser to one of its competi-

Sainsbury itself would only say: "We are studying the information supplied by Wm Low and will make another announcement in due course." Both Sainsbury and Tesco are keen to expand in Scotland where they have only 5 per cent and 7 per cent of the market respectively.

Wm Low has almost 7 per cent with its 45 outlets and has

plan rival to direct dealing

Insurers

By Simon Davies

A group of independent insurance brokers is planning to fight back against the increasing dominance of direct dealers such as Direct Line, by setting up a cost efficient insurance company to take on their direct rivals.

The project has been launched by the Institute of Insurance Brokers, which represents about 1,100 members, generally small independent brokers, and will be giving a presentation to launch the new company in September.

Mr Andrew Paddick, the IIB's director general, said a leading team of industry specialists had already laid down the blueprint for the company and developed software designs, and it would be in a position to launch by June 1 next year.

The project is contingent on getting financial backing from brokers and possibly outside insurance companies to cover the set-up costs of "several million pounds" and the more substantial underwriting

In addition, it will have to fight concerns over independeut insurance brokers selling through a captive company. which could be open to abuse. However, there is no doubt that the brokers are under pressure to stem the tide of losses from one of their staple

sources of business. The new insurance company will have a minimal staff and no advertising fees since it will be marketed and sold by the brokers, who will be able to lock directly into the sys-

Mr Paddick said it would be able to offer premiums which at least matched the direct insurers. The direct insurers will hold

the cost advantage of having no brokerage commissions, but this will be partly offset by their higher marketing and sales costs.

It will be a challenging fight. Direct Line was formed in 1985 but has already become the UK's largest insurer with 1.6m motor poli-

they were not given the chance which is now being discussed

SE completes Warburg inquiry

By David Wighton

The Stock Exchange has completed a preliminary investigation into SG Warburg's handling of the purchase of Lasmo shares during the bid from Enterprise Oil.
In the final days of the bid

Warburg spent £170m on hehalf of Enterprise buying a 10 per cent stake in Lasmo from institutions.

The purchase, at a large premium to the current market price, brought complaints from other shareholders who said

Swiss Bank Corporation complained to the Stock Exchange that it had a sell order placed with Warburg which was ignored when the purchases were carried out. Warburg has argued that

dispute concerns a technical issue of little significance. The Stock Exchange confirmed that the panel formed to look into the complaint had

"reached a preliminary view

Swiss Bank did not have a paper offer for the remainder valid buying order and that the of their holding.

with the parties concerned". The stock market raid was carried out in an unusual manner and caused great ill-feeling among those institutions not favoured. Some pointed to the fact that most of the institu-tions whose shares were bought accepted Enterprise's

It would be against the Take-over Code for a bidder to offer cash to some shareholders on the understanding they would

the fact that most of the favoured institutions accepted the bid shows only that Warburg misjudged the mood of institutions. It would have been more effective to buy shares off investors who planned to reject the offer.

Independent experts believe the Swiss Bank complaint concerns a "grey area" in the Stock Exchange's rules and question whether the outcome of the investigation will have much effect on Warburg's rep-

Property Trust in £12m Chinese joint venture deal

Cheng family of Hong Kong holds a stake of more than 45 per cent, plans to acquire a one third interest in a property joint venture in Guangzhou, China, in a deal worth £12m.

The group plans to establish a new holding company in Berexisting UK property portfolio

Shareholders are being asked Property Trust, of which the to exchange one share in Property Trust for one new share in the Bermuda-based company, Property Trust Holdings.

The stake in the 182,000 sq m mixed development, Dong Xiao Garden Plaza, is to be acquired hy the issue of B shares from Property Trust Holdings. The net assets of the

enlarged group following the

as well as purchase the joint acquisition are expected to amount to about £21.7m. according to Mr Anthony

of England

Sainsbury, which has only

four outlets north of the bor-

der, has found it difficult to

expand with planning rules making it hard to find green-

field sites and competitors bid-

ding up the price of available

Its most northerly distribu-

tion centre is outside Manches-

ter and taking over Wm Low

would give it a ready-made

However, less than half Wm

Low's stores are thought to be

appropriate for the Sainsbury

format and the company is

likely to be estimating the

it could get for the oth-

infrastructure.

Cheng, chairman. Property Trust's shares were suspended pending share-holder and court approval of the arrangements. The company also announced that pretax profits for the year to end-March had fallen from £626,000 to £450,000. It said the previous year's profits had benefited from property sales.

The courts have the power to

Hillsdown facing pensions probe

The Pensions Ombudsman is investigating complaints about the treatment of a group of pensioners by Hillsdown Holdings, the food manufac-

More than 40 former employees of FMC, a meat proces company acquired by Hillsdown in 1983, have voiced complaints that they were treated unfairly when a surplus from their pension fund was repaid to Hillsdown.

Hillsdown transferred the FMC scheme's assets, totalling about £35m, to another Hills-

sequently repaid £18.4m, predominantly from the FMC surplus, to Hillsdown over the next two years.

The pensioners say that Hillsdown was unfair in that it gave them minimal increases in their benefits, in return for the transfer of their scheme's

They also argue that there may have been a breach of the FMC trust deed, which said that any surplus retained should mainly be used to increase ben-

believes, on the strength of independent advice, that the transfer of the surplus was legal. It also says that it paid a suitable package of improved benefits to the scheme's mem-

The complaints were initially investigated by the Occupational Pensions Advisory Services, which passed the matter to the Pensions Ombudsman last Novem-

enforce decisions made by the Ombudsman, who is expected to reach a conclusion on the matter shortly.

St James Beach £1m placing

St James Beach Hotels, the operator of hotels in Barbados which came to the market in April, yesterday announced a share placing to raise £1.1m. Some 900,000 shares have

been placed with various institutions at 120p apiece; the shares were unchanged at 122p on Friday. As foreshadowed in the

annual results, proceeds will be used for the purchase and redevelopment of a 14,000 sq ft office and warehouse building to provide a new headquarters and a central storage and distribution facility.

Simon in £6.25m sale to Norway

Simon Engineering has sold most of the assets and liabili-ties of Simon-ERC, part of Simon Petroleum Technology, to a unit of Norway's Petroleum GEO-Services for an initial £5m cash, plus a further £1.25m deferred payment over the next three

incurred a pre-tax loss of £4.1m on turnover of £5.3m. It includes Tigress, a software package for oilfield appraisal and production

In 1993 the business sold

Proceeds will be used to reduce Simon's debt.

Lazard plans to launch Indian trust King outlets

Lazard Brothers is planning to launch a London-listed Indian investment trust in alliance with the BK Birla industrial group and Creditcapital Finance Corporation, the Indian merchant bank in which Lazard has a 40 per cent

The Lazard Birla fund will aim to raise about £100m from retail and institutional investors this autumn. The UK's first Indian investment trust, launched earlier this year by Fleming Investment Trust Management, attracted £84m.

BK Birla is one of India's largest industrial groups, and has interests in many sectors but has not previously been

associated with fund management. Mr Adrian Collins, a Lazard director, said Birla's contribution to the fund would be advice based on its depth of knowledge of Indian compamies, and understanding of the nature of business in India.
Investments will be made in

a wide range of Indian equities, with a probable slight bias towards medium-sized and smaller companies. A Lazard team has been

working on the project for nine months, and believes it has now resolved the tax complications for foreigners investing in India, which has a favourable tax treaty only with Mauritius. Fleming's India fund developed a structure which invested via Mauritius.

Gowrings to buy Burger Gowrings, the motor trading

and leisure company, has agreed, through its Gowrings Food Services subsidiary, to buy seven Burger King franchises, excluding debtors and cash, from Grand Metropolitan

for £3.3m cash.
The company also said it had entered a conditional option agreement with Central & Provincial Properties for the sale of most of the land at Newbury for £2.45m, and a further conditional option agreement for the sale of the rest of the Newbury site for £350,000. The site is currently occupied by Gowrings of Newbury.

Approval for both the acqui-

sition and option agreements will be sought at an extraordinary meeting on August 5.

	CROSS BORDE	r m&a deals		
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Exide Corp (US)	Tudor (Spain)	Batteries	£163m	Buying from Bansto
Matra Marconi Space (UK/France)	Unit of British Aerospace (UK)	Aerospace	£57m	BAE concentrating resources
Bayerische Landesbank (Germany)	Kulkereskedelmi Bank (Hungary)	Banking	£37m	Taking 25% in privatisation
Sime Darby (Malaysia)	Lec Refrigeration (UK)	Bectric appliances	£21.7m	Agreed bid
FECt (Hong Kong)	Beverley Group (UK)	Engineering	£9m	Effective reverse takeover
Airtours (UK)	Binimar Hollday (Spain)	Leisure	£6.8m	Complex cash deal
Omni Insurance (US)	Unit of Skandia (Sweden)	Insurance	n/a	Another non-life disposel
Hagameyer (Netherlands) Cosa Liebermann (Switzerland)	Joint Venture	Marketing & distribution	n/a	HK listing possible
Canal Plus (France)/ Bertalsmann (Germany)	Joint Venture	Broadcasting	n/a	Pay TV venture
Saint-Louis (France)	General Azucarera (Spain)	Food	n/a	Stake-doubling talks

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FINANCIAL TIMES

NOTICE OF PARTIAL REDEMPTION

ECU 40mm 9% Guaranteed Notes due 1995

NOTICE IS HEREBY GIVEN THAT pursuant to paragraph 4(b) of the terms and conditions of the above mentioned notes, Cabanh, N.A., as Principal Psying Agent has elected by the to Pedemption on August 23rd 1994, ECU 4,000,000 principal amount thereof. Outstanding Notes bearing serial numbers ending in any of the loslowing 2 digits have been selected for redemption.

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WOOLWICH TSB Hill Samuel Bank Building Society -

Notice is hereby given that the notes will bear interest at 6.025% per annum from 5 July 1994 to 25 October 1994. Interest payable on 25 October 1994 will amount to ECU153.97 per ECU10,000 and ECU1,539.72 per ECU100,000

ECU 150,000,000

Floating rate notes due

Agent: Morgan Guaranty Trust Company **JPMorgan**

Holding Company plc US\$100,000,000 Class A Floating rate notes 2016

For the period from 25 July 1994 to 25 January 1995 the notes will carry a rate of interest of 5.625% per annu interest payable on 25 January 1995 will amount to US\$287,50 per US\$10,000 note and US\$7,187.50 per US\$250,000

Agent: Morgan Guaranty Trust Company JPMorgan

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Floating Rate Notes due 2000 555,000,000 of which are being issued as the Initial Tranche For the period from July 21, 1994 to October 21, 1994 the Notes will carry an interest rate of 5.853275 per annum with an interest amount of 514,248.99 per \$1,000,000 Note. The relevant interest payment date will be October 21, 1994. Agest Bank:

Up to £130,000,000 Holdings of 1992 (UK)

BANQUE PARIBAS



Floating Rate Subordinat Capital Notes due 1999

For the three months 25th July, 1994 to 25th October, 1994 the Notes will carry an Inserest Rate of 5% per cent. per annum with a Coupon amount of U.S. \$129.37 per U.S. \$10.000. In: HSBC Investment Banking Limited Interest Determination Agent

COMPANY NOTICES REPAP ENTERPRISES INC.

US £200,000,000 FLOATING **RATE NOTES DUE 1997** For the period 19th July 1994 to 19th October 1994 the Notes will

carry an interest rate of 7.6875% (US\$ 3386.94 per US\$ 250,000). Agent Bank

Barckeys Bank PLC BGSS Depository Services

Landon EC3P 3HP

Templeton

Templeton Global Strategy Sicav
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R.C. Luxembourg B-35.117

Notice

Shareholders are hereby informed that the extraordinary general meeting of shareholders held on 22nd July 1994 has decided (i) to merge Templeton Indonesia Fund into Templeton Far East Fund (ii) to merge Developing Growth Stock Fund into Templeton Smaller Companies Fund and (iii) to introduce Class A and Class B shares distinguished by their commission structure. In addition, the name of the sub-fund Templeton American Fund is changed to Templeton

All existing bearer shares will be designated as Class A shares.

No bearer shares will be available from 1st August 1994 in Templeton Haven Fund Class A nor issued in Templeton U.S. Government Fund Class A, Templeton U.S. Dollar Liquid Reserve Fund Class A and Templeton Deutsche Mark Liquid Reserve Fund Class A. Only registered shares will be available in Templeton Haven Fund Class A, Templeton U.S. Government Fund Class A, Templeton U.S. Dollar Liquid Reserve Fund Class A and Templeton Deutsche Mark Liquid Reserve Fund Class A.

The names of the sub-funds which offer bearer shares are as follows:

Templeton Global Growth Fund Class A Templeton Deutsche Mark Global Growth Fund Class A

Templeton Smaller Companies Fund Class A
Templeton Global Infrastructure and Communications Fund Class A (from September !)

Templeton Global Infrastructure and Communications Fund C Templeton Pap-American Fund Class A Templeton European Fund Class A Templeton Far East Fund Class A Templeton China Gateway Fund Class A (from September 1) Templeton Buerging Markets Fund Class A Templeton Global Utilities Fund Class A Templeton Global Convertible Fund Class A Templeton Global Balanced Fund Class A Templeton Global Balanced Fund Class A Templeton Global Jacone Fund Class A Templeton Global Jacone Fund Class A

Templeton Giobal Baiancea runa Class A
Templeton Giobal Income Fund Class A
Templeton Ceutsche Mark Giobal Bond Fund Class A
Templeton Yen Global Bond Fund Class A
Templeton Emerging Markets Fixed Income Fund Class A On 1st August, 1994 (i) shares in bearer form in Templeton Indonesia Fund and Developing On 1st August, 1994 (1) shares in bearer form in Templeton indonesia Pund and Developing Growth Stock Fund will be exchanged for shares in bearer form in Templeton Par East Fund Class A (The exchanges will be dealt on the basis of the net asset value per share of the relevant classes calculated on that day); (ii) shares in bearer form in Templeton Haven Fund Class A will be exchanged for shares in registered form and (iii) shares in bearer form in Templeton Par American Fund Class A will be exchanged for shares in heaver form in Templeton Par American Fund Class A.

in bearer form in Templeton Pan-American Fund Class A. From 1st August 1994, the shareholders are invited to present their old bearer certificates to the Banque Internationale à Luxembourg, 69 route d'Esch, L-2953 Luxembourg for exchange against

new Class A certificates. After 1st September 1994 only the new share certificates will be of good delivery on the

Coupen amount:

NOTICE OF REDEMPTION

Luxembourg Stock Exchange

MORTGAGE SECURITIES (NO.3) PLC £117,000,000 Multi-Class Mortgage Backed Floating Rate Notes due 2035

Notice is hereby given that, pursuant to Condition 5(c) of the Notes, the Issuer shall redeem: £7,400.00 per Class AI Note £0.00 per Class A2 Note £0.00 per Class A3 Note

on the next Interest Payment Date, being July 29, 1994. MORTGAGE SECURITIES (NO.3) PLC

Dated: July 25, 1994 CMS FutureView SUNKYONG INDUSTRIES LIMITED US \$ 50,000,000 FLOATING RATE NOTES DUE 1998

(Fledesmable at the option of Noteholders in April 1995 and April 1997 and B

the option of the Issuer on any interest payment date falling in or sitter April n accordance with the provisions of the Notes, notice is hereity given as follows:

' Interest period July 21st, 1994 to October 21st, 1994 . interest payment date: October 21st, 1994 5.125% per annum Interest rate:

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PROPERTY FINANCE



1994 EGU 24,000,000 taling aller August 23rd 1994 EGU 24,000





COMPANIES AND FINANCE

Weak quarter for Bankers Trust The New York-based bank what it calls in financial markets that many analysis had expected. The New York-based bank what it calls in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected. The New York-based bank in financial markets that many analysis had expected.

selling derivatives to companies and others in recent months, in the wake of losses reported by some of its custom-

The bank, which has been the leader in using derivatives to devise risk-management products for companies and investors, attracted considerable adverse publicity when Procter & Gamble said it had lost \$157m on financial instruments bought from the bank.
The company added at the time that it was consuming suing Bankers Trust over the loss.

June, down from \$114m in the previous three months, as revenues in the area fell by a third. During 1993, profits averaged

\$84m a quarter. Mr Tim Yates, chief financial officer, said the bank believed its share of the risk-management business had remained stable during the period. The decline reflected an overall falloff in the use of derivatives, particularly more complex instruments which carry higher profit margins. Meanwhile, Bankers Trust

failed to record the sort of

revenues of only \$14m from trading, and reported a loss in the area of \$49m. In the second quarter, reve

nues rose to \$124m, while profits reached \$52m - still well behind the \$405m revenues of a year before. The bank added that a significant part of the trading profits in the latest quarter stemmed

from the recent Brazilian debt

restructuring and its holdings of Brazilian bonds. Mr Yates declined to disclose how much Bankers Trust had earned from this single event, or even whether it would have

showed a trading profit with-

weak trading figures - which echoed trading figures pub-lished by other US banks in recent days - on poor conditions in the financial markets. "Pure proprietary trading, while it has improved from the first quarter, is still in a difficult environment," Mr Yates

Overall, the bank's aftertax profits for the second quarter fell by 28 per cent to \$181m, or \$2.09 a share, from \$251m, or \$2.90, the year

Half-year net income was \$345m, or \$3.99, compared with \$481m, or \$5.54, in the first six

Chairman of Lac **Minerals** steps down

By Bernard Simon in Toronto

A shareholder revolt has forced Mr Peter Allen to step down as chairman and chief executive of Lac Minerals, the Canadian gold and base metals producer which is in the throes of fighting a hostile

Mr Allen had become a lightning rod for shareholders' dissatisfaction since Royal Oak Mines, a much smaller but more aggressive Vancouver gold producer, came forward with a C\$1.4bn (US\$1.01bn) takeover offer this month.

The rationale behind Royal Oak's bid was that Lac, which has mines in Canada, the US and Chile, was not realising its full potential under exist-Mr Allen's departure throws

another obstacle in front of Royal Oak, whose bid, consist-ing largely of its own shares, was already considered a long

Lac shares are expected to rise sharply on the Toronto stock exchange today. They climbed by 37 cents to C\$13.38 on Friday before Mr Allen's resignation was announ The shares are widely held,

mainly by US and Canadian institutions. Many have made their displeasure with managenent known in recent weeks by tentatively tendering their shares to Royal Oak.

Mr Allen, aged 54, said: "I have listened very carefully to Lac's shareholders and their concerns about management. I am not prepared to let personalities define this takeover fight and distract from the fundamental economic issues at stake."

Mr Jim Pithlado, a non-executive director and former head of Canada's biggest securities firm, will take over as Lac chairman and acting chief executive officer.

Mr Pitblado said the board would prefer Lac to remain at independent, widely-traded Canadian company. He plans to present that case to shareholders this week.

However, he said the board would keep its options open should another bid material-

Foreign exchange losses limit increase at Telmex

in Mexico City

Teléfonos de México, Mexico's largest private company, reported net profits of 4.39bn pesos (\$1.29bn) for the first half of 1994, a reduction in real terms of 0.7 per cent over the same period last year.

Telmex profits adversely affected by the rise in interest rates and weakness of the peso, which caused the company to report losses on its foreign exchange dealings. Without the exchange loss, profits would have increased by 15.8 per cent in real terms, excluding tax adjustments.

Second-quarter profits grew by 12.8 per cent compared with the same period last year, with exchange losses lower than expected at 186m pesos. The result was better than most forecasts and Telmex stock posted gains on the stock mar-

Operating profits rose by 12.6 per cent in the first half to 6.04bn pesos, and sales by 12.2 per cent to 13.84bn pesos. Revenues from domestic services grew by 19.4 per cent to 6.35bn pesos, while national long-distance revenues increased by a more modest 1.8 per cent to 4.29bn pesos, after a cut in long distance tariffs.

"We are starting to see evi-dence of a re-balancing and local between long-distance revenues," said Mr Ricardo Peon, an analyst with Baring Securities.

The company says it is going to face competition in its long-distance market from 1997, and in preparation is seeking to make itself less dependent on long-distance

Telmex reported further progress in its efforts to expand Mexico's telephone system, with lines in service increasing to 7.996m, up 12.9 per cent compared with June

Fund charge puts PaineWebber in red

in New York

lian trust

THE BORNER MAS DIALS

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PaineWebber incurred a net loss of \$25.1m in the second quarter of 1994 after the US securities firm was forced to take a charge to cover the injection of \$34m into one of its mutual funds to repay investors for losses on mortgagebacked securities.

Last week, two executives at PaineWebber involved in the management of the troubled

French lift

truck group

bond fund resigned over the matter, and the firm brought in an outside money manage ment group, Pacific Investment Management, to act as a consultant in the running of the

Even without the cost of the fund bail-out, the second quarter was a difficult period for the firm, with pre-charge earn-ings of \$9.1m falling well short of the \$59.3m reported for the same quarter a year ago.

The sharp drop in earnings during the quarter came against the background of a 15.7 per cent decline in revenues to \$579m. Revenues fell because

demand for PaineWebber's broking services from retail and institutional customers and for its underwriting services from companies and municipal authorities were either flat or substantially lower compared with the same quarter of 1993.

some of its US and interna-

tional operations and reducing

Kellogg reported a 14 per

considerably less in the period (\$91.7m against \$181.9m year earlier) from the ading of its own capital on US and foreign securities

In this respect, PaineWebber was no different than other big Wall Street firms, which all saw their revenues and profits fall in the second quarter herause of the slowdown in the once-booming securities

Slowdown at Quaker Oats but **Expansion for** Kellogg ahead despite tax rise

fund.

Manitou BF Group, the world's Quaker Oats warned of a profit largest producer of rough-ter-rain lift trucks, is expanding standstill but Kellogg reported into Germany by buying the a 6 per cent increase in net wheeled loader division of Ahlmann Maschinenbau, the mediments from the two US breakfast cereal manufacturers. um-sized German construction

equipment producer. The deal, for which terms were not disclosed, is an important move for Manitou, which is quoted on the French second market and had group turnover and net profits of FFr1.25bn (\$230m) and FFr42.1m respectively last

The takeover will give Manitou additional turnover of the effects of hyperinflation on its Brazilian business.

Quaker Oats said that its US businesses were doing well, with higher overall volume coming from its Gatorade sports drink and cereal prod-

It said it expected to report Chicago-based Quaker Oats, higher profits and earnings per share for the full year, recently the subject of bid speculation, said earnings in excluding the restructuring the fourth quarter to June would be "about even" with In May, the company said it the \$1.30 of last year's compawould be taking a pre-tax charge of between \$110m and rable period, even ignoring the effect of a previously-an-\$130m in the fourth quarter to nounced restructuring charge. cover the cost of consolidating

slowdown on disappointing sales in Europe, resulting from poor economic conditions, and

The company blamed the

to \$245.5m for the second quarter to June, but a higher tax charge reduced the increase to 6 per cent at the after-tax level. Net income rose from \$142.7m to \$151.5m.

Sales rose by nearly 5 per cent to \$1.62bn and earnings per share by nearly 10 per cent to 68 cents, reflecting stock repurchases. For the first six months, net income was 4 per cent ahead at \$335.4m.

Kellogg said operational improvements and cost-cutting boosted the results. The company has lost market share in the US over the past few years and this month replaced the head of its North American

Sale by BCH raises Pta55bn holding in Cepsa by half to 18

Banco Central Hispano (BCH). the large Spanish bank which has been squeezed by nar-rowed financial margins, has raised Pta55bn (\$423m) through the sale of an 18 per cent stake in Cepsa, the domestic petrol refiner and distributor. BCH did not name the buyer but it is understood to be SMM Company, an international fund aged by Morgan Grenfell.

BCH said the proceeds from the disposal would be injected into its core banking business and would help to increase its

net interest income

ing rights of its former 36 per cent holding. Cepsa's other main shareholders are the French Elf-Aquitaine group, with 33 per cent, and IPIC of Abu Dhabi, with 10 per cent. The sale forms part of the bank's strategic plan to slim its industrial portfolio to release funds that will underpin its flagging profit margins. Although BCH has the largest volume of total assets in the

domestic banking sector, and also the largest branch network, its return on assets is

The disposal reduces BCH's

per cent but under the terms of the sale, it retains the full votincome shrunk by 4.8 per cent last year, although operating profit was up by 11.8 per cent due, in part, to mostly non-recurring foreign exchange and debt trading income. BCH is steeling itself for a sharp drop in treasury-based profits this year and posted disappointing first-quarter results with an 11.8 per cent fall in net attrib-utable profit

BCH, which was advised by J. P. Morgan of the US in its Cepsa disposal, earned Pta3,425 per share for its equity in the refiner, a price that was considered good for the bank by

Rodier to take helm at Péchiney

well below that rival groups.

Mr Jean-Pierre Rodier, a 47-year-old board member of the Franco-Belgian Union Minière, is likely next week to become president of Péchiney, the French state-controlled alu-

minium and packaging group.

Mr Rodier, named to the board of Pechiney by decree on Saturday, is expected to be endorsed at next week's cabinet meeting as the group's president. He will replace Mr lean Gandois, Péchiney's longserving president who has esigned in a bid to become the head of the Patronat employers federation later this year.

The government chose Mr Rodier over several more senior candidates, because of his experience, with Union Minière since 1991 and before that with Metaleurop, in the volatile non-ferrous metals industry. His main challenge will be to prepare for the privatisation of Pechiney, which last year lost FFr980m (\$180m) on falling sales but hopes to break even this year with the recent firming in the world price of aluminium, which had been hit

by cheap Russian supplies. The government's political dilemma with Pechiney, which is on the list of 21 state-owned

companies for sale, is that if

minium in favour of concentrating on its more profitable packaging activities, its centre of gravity would shift to the US. where in 1989 it bought American National Can.

The government has also been considering giving Péchiney a steady source of cash by letting it take over Compagnie Nationale du Rhône, which manages a series of hydro-electric dams on the Rhone. But this plan has run into opposition from local politicians and from Electricité de France, France's monopoly distributor of electricity, and would require fresh legislation.

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BUILDING SOCIETY

CANON INC YEN 30,000,000,000 FLOATING RATE NOTES DUE 1996

FROM 2587.1994 TO 24.18.1994

INTEREST PAYARLE PER YEN LAMAGE NOTE:



CALLING OF AN EXTRAORDINARY SHAREHOLDERS' MEETING

stupe to inform the shareholders of Credito Itelia on the basis of the number of requests for entrance tickets to the ensures the validity of the Meetings may not be reached e-ring the first or second callings. It is therefore most probabthat a third calling will be made on:

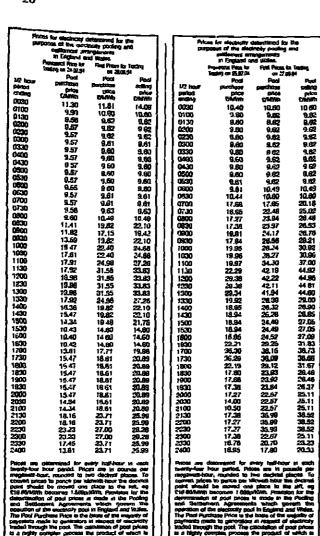
Friday, July 29, 1994 at 3-00 p.m.

in Genoa in Via Danta No. 1

USF 3 Ci \$0.05 Viole Fergo FRN 2000 942.99 Wolesfey 4.77p

Cater Allen Hirligs. 20th Nationwells Didg. Sec., 316% N. Lts. 121 (2.880) Whithread 11%% Db. 111 (2.8125

E SATURDAY JULY 50







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EXTERNAL AUDITORS

international accounting time wishing to be considered to conduct the financial assist of the

Excressions of Interest must include states has been operating for a minimum of 10 years; b) has an internal

3. The limit has the ability to conduct audits under US gene

4. The limm is experienced with all filling requirements established by the US Securit and Exchange Commission (SEC) (provide a list of the family largest audit cite

Replies (6 copies) must be addressed to the attention of Ms. Marilyn Hickson. Pro and Contracts Section, Inter-American Development Beniu, 1300 New York Av. The Bank, at its option, may take the necessary steps to verify any of the inti-



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ANNOUNCES THAT IT HAS PURCHASED ALL OUTSTANDING SHARES OF BANQUE REAL DE COTE D'IVOIRE S.A. FROM BANCO REAL S.A. / BRAZIL

Abidjan, 25 July 1994

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

100047 Aprilon 8 Hatcheston 3.5p Abrum OH, Barts 11.25% OI C162.50 Britanna Biog. Soc. Fitz, Fabr Sub. No. 108 C14.621.29 Brit. Apperts France FRN 198 91465.563 Brit. Fands 12% Tress. 15 Co. 13456 Tress. 2000.03 E6.875

CPC 50.54
Daty 0.70
Debenhams 7.14 kith. In. 02/07 £1.625
De. 744, \$000.07 £1.825
Fustur 3.555, 1/27 \$7.355,000
General Bather \$0.38
Fine Autour 61, 96 1/60,000
General Bather \$0.38
Fine Autour 61, 96 1/60,000
General Bather \$0.38
Fine Autour 61, 967 1/60,000
General Bather \$0.30
Fine Autour 61, 967 1/60,000
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YTB Fr. (Andro) A.E.C. FRN '03 \$1,225.97

B TOMOGRAPOW

Brotz J & West Bidg. Soc. FRN '96 \$137.12

Brianna Bidg. Soc. FRN '96 \$133.38

Bit. Func 12'% fi. Trans. '16 \$2,1665

Do. "1% Tress. Ln. 12'15 \$2.875

CNA Galle RIO 38

Co-op Bank FRN 1000 \$88.56

Co-op Bank FRN 1000 \$88.56

Lington Bide Chip Tutat 5.495

Canager Fst. 1.556

Hydro-Caches FRN 9002 \$241.68

Japan Art. 10% Gat. 1975 \$500

Lloyds Bank Sones A Var. Rath Nes. '98 \$7.42.11

Lon, 8 Option of 1.89

Royal Bik. of Can. Int. Bond Fd. Ptg. Rd. Pf. \$0.14

Table 8 Liyle ADF 80.347

Te Rask 1 Tap

Worstock Bigs. Soc. FRN '95 \$66.69 Worketch Blog. Soc. FRN '95 666.69 York Witterworks 6.7p Co A 6.7p

Firsts.
Abtract Scotland Inv. Tst.
Brandon Hire
Marting Industries
Merrydown,
Interns:
Bullough
Clinical Computing
Graces.

Jermyn brenstment Street, E.C., 12.00

200
Chloride Grp., Institute of Beconcel Engineers,
Sahoty Pacte, W.C., 11.30
Cook (William), Parkway Avenue. Sheffield, 8.30
Fester (John) & Son, Black Dyke Mills,
Outerstudy, Parkway, 10.30
Reform Investment Trust, Middiothorpe Hat,
Bishopthorpe Road, Vark, 12.30
Gesmed Income Investment Trust, Carthunian.

Saret, E.C., 12.00
Köry Little Grp., Broad Walk House, 5 Appetid
Saret, E.C., 10.00
Monks kneethment Trust, 8th Boor, Bregtenham
House, 6 Lancester Flace, W.C., 10.30
National Power, Grosvenor Hotel, Park Lane,
W. 11.30

Bh. of Montreal FRY Series 10 '98 \$175.34 Bank of Nova Scottan CS0.29 Bristol Evening Proof 8p Compans 2.31p Dates Overseas Fin. Gad. Pig/Fisred Rate Nts. 104 \$1.523.13 Fin. Recompiles Trans. No.1 Mesz. Asset-Backed FRY '09 C1.889.85 [In. Sectors Femal Rechet FRM 109 1780.83] Asser-Backed FFRV 19 C1,889,88 Do. Sonar Asser-Backed FFRV 199 C898.63 Do. No.2 FFRV 196 C1,885.86 Do. Senior FFRV 196 C1,882.86 Do. Senior FFRV 196 C1,882.88 Telefonica de Espana Phs07 m Thursday July 25

M THURSDAY JULY 25
Abacus 1.12p
Actions 1.12p
Actions 1.12p
Actions (Commons) 13.5% Ln. 98.75
Actions 6 Bingley Bidg. Sec. FRN '95 £137.12
Bid. Funds 89/56 Troop. Ln. 2000 £4.25
8SS 12p
R2W Corn. Ins. Trust 1.5p
Con. Ins. Bank of Commin. GS0.33
Con. Pacific CS0.08
Do. Non-Con. Pt. GS0.02
Do. Sig. Non-Cin. Pt. 0.666667p
Do. Sig. Non-Cin. Pt. (Inser. Trans.) 0.866667p
Nosional Power 8.75p
Supairts Speakers 99/56 Rd. Cm. Pt. 9.5p
1076/AL B F511.22
Toylob Co. FRN '96 £45.406
Witchwich Bidg. Spc. FRN '96 £153.38 S FRIDAY JULY 29

88 FRIDAY JULY 29 Araspung Fuminare 3.1p Albot Fisher ADR 50.348 Albot 3 6p Albot bish Bonks Perp. FRN \$120.07 Albot-Lyone 14.3p Auto Funding Chase A FRN 1986 C147.10 Fisher State State State Obs. 2000 C124.38 Barris of News Sooth Fitty, Patre Otto. 2733-38 Beast 8-5p Beron (AL) 5-75p Beronn (AL) 5-75p Burton Gp., 1p Cherritor) 3-84p Chicorop Banking FRN '97 \$132,71 CML Microsystems By Conditional Mont. Securities (No.4) 000 48

Continenting Mort. Securiora (NG.4) FHR 282.48 Do. (No.5) FFIN 2027 F164.32 Do. (No.12) Class A FFIN 2028 E34.21 Dawa Intl. Finance FRN 2001 \$1,160.41

Dartmoor law, Trust 3:0p Dow Chronical Study Daylor Recovery Trust 4p Davidey & Lon. Inv. Trust 3p East Surray Hidgs, 7:98p Stirtige, Pupe & Co. A Res 19g 1.5p Brg. & Scottesh Inva. 2:5%, Db. 133 F.J. 125 Earnoor Dayl Invs. Trust 2:25p Charmoner Dayl Invs. Trust 2:25p

Pappasim Ind, FRN 2000 \$198.88 Pietene 1.30p Mother Bonk, V.M. Rute Cop.
51,213,33
New Thropmonton Tst, 0,25p
New Zestand Inc. Tst, 1p
Cobarra Cons. #805a1,20
CS Int. Inspection 1,4p
#Antidion & Cer. Inno. 0.75p
PowerCyp 8,7p
PowerCyp 9,7p
Pow

Proteon 3.7p
Proteon 3.7p
Priver Pleas & Clearant Inv. Tst. 3p
Sentition (1) 7.8p
Schitt-Cloarant Priver Tst.
Schitter Schitter 43p
Salton Healthcome 43p
Salton Healthcome 43p
Salton Investment 43p
Salton Investment 43p
Salton Investment 43p Do. Mazz, Backed FRN 118 £168.29
Strick Hedricum 4.5p
gold Gp. 1p
Sacket Select & St. Ph. Care Pt 2.45p
Temple Bar Inv. 12. Pp. Cm. Pt 2.45p
Tem F135.38
Do. Fourth Fin. Issue No.5 '29 £72.66
Do. South Fin. Issue No.5 '29 £72.66
Do. South Fin. Issue No.7 '29 £71.36
Do. That Fin. Slow Pp. Issue No.48 '29 £137.12
Ter Investment Teat '0p
Temistration St.50
TR High Income Trust 1.5p
Do. Subsection 1.5p
Tratly High, 4.2p
TR Property Inv. Trust 0.5p

IN SURIDAY JULY 31
Article 10% Cm. Pf. 3p
Article 10% Cm. Pf. 3p
Bentale Store 16% Cm. Pf. 2 1p
Bentale Store 16% Cm. Pf. 2 1p
Bentale Store 16% Cm. Pf. 1.825p
Britanels Bidg. Soc. 138 Pf85 US5
Britanels 9.75% Cm. Pf. 2.85p
Dealers 19.75% Cm. Pf. 2.85p
Brighan 119 Db. 14 C5.50
Brighan 119 Db. 17 Cc. Cm. Rd. Pf. U.5p
Do. 14% Cc. Cm. Rd. Pf. 2.5p
Feming Jap. 1m. Trust 5% Cm. Pf. 1.75p
Hanton 81% Cc. 05 E47 50
Hanton 81% Cd. 05 E47 50
Loon 84 Britanels Bidg. Soc. 134% Pf85
Discos 64 Bidge Cd. 05 E47 50
Loon 65 E47 50 Cm. Pf. 2.75p
Loon 65 Cd. 05 E47 50
Loon 65 Malaysia 104-5 Lt. 20us 12-17 Makadame 14% Cm. Pl. 2.1p New Cay & Corns. Inv. That RPI-Linked Dis 18: 2-57-17 New 8% Cm. Pl. 2.1p Do. 19% A Cm. Pl. 2.4sp Do. 10% B Cm. Pl. 1.75p Pedicody Donation Fund 10-25% Let Mg. Dis. Peoplety Dangton Fund 10.25% let Mg. Ch. 18 f5.175 Presenc 10.5% Cm. Pt. 5.25p Ptarmign Ind. Cap. Trust 3114 Sub. Cv. 19 18726 Phyrmigon Intl. Cap. Treat JW-S Sub. Or. 19 fb3: 28 Rank Criganisasion Cv Cm. Rid. Pt. 4.125p SCECorp \$0.25 Rank Criganisasion Cv Cm. Rid. Pt. 4.125p SCECorp \$0.25 Sood. Existent lines. Treat 84:76 Db. '24 12.2753 Solpton 840g. Soc. 12:144 PBS BBs.J75 Smith & Neighant 54:46 Cm. Pt. 1:255p Smith & Neighant 54:46 Cm. Pt. 1:255p Smiths Industrial 11:446 Db. -15:50000 Cb.8cb S & U 31:54 Pt. 1:89375p 15:50000 Cb.8cb S & U 31:54 Pt. 1:89375p 15:50000 Cb.8cb S & U 31:54 Pt. 1:00 pb. Discount Lin. '08 Ct. Toronto-Dominion Sant CSL.25 Un. Lin. '08 Cb.25 Wilco 875 Cv. Pt. 4p Wilcon 875 Cv. Pt. 4p Wilcon 975 Corp. Pt. 2:45p Do.8.1994 Cv. Rid. 2nd Pt. 4:38p

South West Water, The Guidhell, Physicath, Devon, 11.00 Thurnes Water, The Borbican Cestre, E.C., 2.00 Voles Grp., The Coptione Manchester, Clippers Quy, Saltred Gustre, Marchester, 11.30 SOURD MEETINGS: UK COMPANIES Thomas More Street, E., 12.00
Crampatick, Equivery Amms Hotel, Beverley, North
Humbertsde, 11.30
Drayton Blue Chip Trisst, 11 Oevonshire Square,
E.G., 12.01
Herwelson, MacSeel, Hell, 12.00
Power-process Intil, Ironnonges' Hell,
Snatreshary Place, Barboan, E.G., 12.00
Rolle & Nolae, Charaeved Accountants' Hell,
Mocrapte Place, E.G., 12.00
Shelson (Misherth Grow, The Parinary Hotel, Cities)

Corporation Marchedy Delepak Foods Fleming Emerging Markets GRobs Maw Misys Marray Smaller Mass, Tst. Shield Stageconch Hidge.
Interints:
Allied Textile Companies
Continental Assets Tet.
Goarnd Interint Inv. Tat,
Lloyde Athery Lite
H & G Dual Trest
Rights & leaves Inv.
Shoughter. actı Hidge.

Temple Bar Inv. Tet.

III WEDNESDAY JULY 27
COMPANY MEETINGS:
Angle United, Shefield Most House,
Chesterfield Road South, Sheffield, 10.30
British Steel, Westmersber Central Holl, Storey's
Gate, Westminster, S.W., 11.00
Charler, The Royal Automobile Club, 89 Pall
Met, S.W. 12.00
Chicaley Gap., Storeon House Hotel, Goucester
Red, Circonceter, Glauca, 11.30
De La Res, The Savey Hotel (Fiver Enhance),
Strand, 12.00
Hastall Whiting Hidge, Phoenth House,
Christopher Murtin Road, Basidon, Essay, 11.00
Mershalle, Force Creek Hotel, Cition Village,
Richards West Vorks, 2.30
Scottleh Power, The Edinburgh Festival Theolife,
Nicolson Street, Edinburgh, 11.00
600 Gap., 600 Centre, Motomery Trodon State,
Celder Hall Road, Strepshed, Loughborough,
Loics, 12.00 Galders Halt Road, Shepshed, Loughborough, Loics, 1,200
Starrelay Industries, The London Hilton Hotel, 22
Fark, Lerk, W. 12,00
Stirring Grp., New Broad Street House, New Broad Street, E.C., 12,00
Whiteshi Water, All Nascers Centre, Cardiff, 3,00
Whitecroft, The Holdary Inn Crowne Plaza
McKand, Peter Street, Manchester, 2,30
BOARD MEETINGS:

Abbrest Preferred Income
Dyson (M. J.)

THURSDAY JULY 28

W.C., 13.00 British Telesconsnumications, Warnibley Conference Centre, Warnibley, N.W., 10.30 SSS Orp., Crand Hotel, Loicester, 12.00 Cetals Init., New Yncod System Flouro, 35 New Broad Street. EC., 10.30 Centra-Cyclical Inn. Trians, Aldourran's House Alderman's Walk, E.C., 12.30
Deep Orp., 36 S. Audress HB E.C., 10.00 Alderman's Walls, E.C., 12:30

East Midlands Electricity, Derregati, 1921
Quidhall Road, Northwester, 11:00
Flotax Group, Flotax Centra, Conduct Street,
W., 10:00
Hants (Philip), The Contenance Half, 55 Colimore
Rose, Birmengham, Wost Midlands, 11:00
Hogg Robbisson, The Alderych Sulte, The
Waldorf, Alderych, W.C., 3:00
Kap & Stepason Heldgas, 52 Conhill, E.C., 13:00
London ladustrial, 20 Famingdon Road, E.C.
11:80

London listustrial, 20 Farrington Road, E.C. 11.00
New Throgmorton Yrusi (1983), 155
Bishupegate, E.C., 12:00
Northern Feeds, The Banqueting Haft, The Culdrait, Hull, 12:00
Renote, Renote House, Styaf Road, Wythorshave, Manchester, 2:30
Rhw Gips, Compton House, Barris Fold Road, Wingolas inclustrial Park, Westhoughton, Boffor 11:00 St Jame's Piece Capital, The Royal Automobile Club, 89 Pall Mail, S.W., 12.00 porty law. Trust, 3 Finsbury Avenue, E.C.,

12.00 Uniquete, intercontinental Hotel, Hyde Park Corner, S.W., 12.00 Visiteo Grp., The Michard Hotel, Derby, 1.00 Wastergoth, (Jazzers' Hall, E.C., 12.00 BOARD MEETINGS:

Jacoba (John 1) Motor World Gra

E FRIDAY JULY 29 COMPANY MEETINGS: Associated Nursing Sc Associated Naming & Square, S.W., 12,00 BPB industries Larie, W., 12.00 Business Technol 12:00
Crolig & Rose, 172 Leich Walk, Edinburgh, 12:00
Flestning Continential European Inst. Trust, 25
Coptinal Avenue, E.C., 12:00
Neepsend, Nemerood Hall, Nemerood Fload,
Shortleid 11:00

Shofield, 11.00
Pontemouth & Sunderland Newstrepees, Edip House, Pennywell, Sunderland, 12.30
Rodinsans India, Four Seasons Hetal, Hamilton Pace, Park Lane, W., 11.30
Sewam Trent, Inlamational Contentions Cartes, Berntinghert, 2.00
Susdiffe Speakmen, The Oreytound Hotel, Longh, Lanca., 11.30
Total Systems, 3624 City Road, E.C., 10.00
SOARD MEETHOS:
Placits

SCARD REE THICES: Finaltic & Connect Inv. Fingstone Hidgs. John Lusty Grp. Regions Market Finishing

Company meetings are arraitel general steels unless otherwise stated. Please note: Reports and accounts are on normally available until approximately six was after the board meeting to approve the

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(5/6 Aug) I I am-6pm (7 Aug). Enquiries: Linda Colban -Centre Exhibitors Tel; 021 767 2760

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GERMANY into Germany, this workshop offers a to acquire specialist knowledge of the German market, Case study work will enable this knowledge to be put into practice. Legal, tax, accounting and ictical issues will be addressed.

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THIS WEEK

Global Investor / Gerard Baker in Tokyo

Balancing the accounts



Socialist prime ministers don't tax to stimulate the economy. usually provoke celebrations in bond markets, and Japan's new leader is no exception.

Bond prices had already

been under pressure for most of the year as the market became caught up in global expectations of higher inflation. But now the fixed interest market is under attack from the supply side, as investors fear that the new coalition gov-ernment is set to pump up a ballooning deficit. Both fears

Although Mr Tomitchi Murayama, heavily outgunned by his conservative coalition partners, has abandoned most of the nostrums of socialist theology in a few heady weeks, fiscal policy is another matter. Ministers have been quening

up to promise a few trillion yen of extra spending on every-thing from bullet trains to new houses, and with an election likely in the next year, fiscal rectitude is not high on the government's agenda. But the prospect of a few more public works projects should not cause too much alarm - even the parsimonious hureaversts at the Ministry of Finance don't object to borrowing for

the purpose of investing.
What really worries them and the bond market is the umresolved debate on revenue. Late last year plans were laid for a Y6 trillion cut in income

the managing director of the

International Monetary Fund.

remember, he has been pop-ping up at international meet-

ings to urge an issue of special

drawing rights, the IMF's own

He has prosecuted his cam-

paign with a passion that con-

trasts starkly with the appar-

ent dryness of the subject.

Now after many set-backs, Mr

Camdessus' hopes are high that he will win the backing of the Fund's 179 members for

an SDR issue at the IMF's

annual meeting in Madrid in

If he does, it will not be

without a fight. For there is one institution that cares as

much as Mr Camdessus about

the SDR. So far, the Bundes-

bank has been implacable in its opposition to a general

members to boost the world's

But most of the Group of

Seven large industrial coun-

tries now seem inclined to

give Mr Camdessus at least

part of what he wants and will

work for a compromise in Madrid in so doing, they will

signal that the IMF should

stay in the business of provid-

ing financial support to countries with long-term economic

problems rather than focus on

stability in the international

monetary system and short-

term assistance to economie

in difficulty, as recommended by the recent report of the Bretton Woods Commission.

The special drawing right.

its activities and achieve-

It sounds boring: an artifi-

ent composed of the dollar, D-Mark, yen, French franc and sterling and worth about

obecure acronyms

early October.

monetary reserves.

RI RI CE

If anybody

deserves a

prize for per-

global eco-

nomic policy

making, it is Mr Michel

Camdessus,

As with most Japanese fiscal stimuli, there was a strong element of smoke and mirrors. The income tax cut was, if the MoF had its way, to be offset by a huge hike in consumption tax - from its current 3 per cent to as high as 10 per cent. The socialists objected, and the income tax cut alone was

That tax cut takes effect this month, and the MoF is back to demand its pound of flesh. Its case is seductively simple. The past few years have seen the government's finances dive into the red. From a surplus of 3 per cent of GDP in 1991, the fiscal balance will have declined to a deficit of 1.5 per cent this year. Hardly a case for alarm. But take out the surplus on the social security fund

But few people can be unaware that for the past three years Japan has been experiencing its worst recession since the 1930s. Measurement of the output gap - the difference between actual output and trend – is tricky because of the tendency of Japan's rate of growth to slow over time, but a conservative estimate would put it at around 6 to 7 per cent. In other words, the Japanese economy has plenty of slack to

and the deficit soars - to about 5.7 per cent of GDP.

> into serious capacity con-straints. Growth of that level would certainly restore the fiscal balance to order. But, says the MoF, that ignores the longer term weakness at the heart of the public accounts - the unusual age structure of Japan's population - youthful now, but greying rapidly into the next century,

next five years before running

Global capital markets have

been liberalised over the past

two decades making it possi-

plement their reserves by bor-

rowing. Nor does global liquidity seem to be lacking at

present. Many monetary offi-

cials argue that the dollar's

recent weakness has been a

symptom of excess liquidity

But while the monetary

case for an SDR allocation

seems feeble, the political reasons have strengthened. Com-munism has collapsed and the Cold War has ended since the

last SDR allocation in 1981. IMF membership increased

rapidly as former Soviet satel-

lites and republics joined the Fund, leaving nearly 40 IMF

members without SDRs and

Against this background,

Mr Camdessus has been cam-

paigning for an allocation of

SDR36bn (about \$52.5bn) to all

Fund members. This, he says, would help newcomers such as Russia and other former

communist states, many of

which are starved of reserves.

New SDRs would not be infla-

raising a question of equity.

rather than shortage.

That, it says, requires a consumption tax increase today to avert a debt crisis tomorrow. But with the economy emerging slowly from a long recession, to impose a huge tax increase now to deal with a problem that might arise in 2010 seems masochistic. Surely better to let the recovery float the public finances back into

burden on future governments.

equilibrium – then decide what

tionary in today's economic environment, he says. Unfortunately, a general SDR increase would benefit wealthy industrialised countries more than the disadvantaged. However, it would be easier to agree than a selec-tive SDR increase that would require a change in IMF rules

that created it.

The risk is that he will have established a precedent for sary liquidity expansion, weakening the IMF's counter inflationary creden-

make up, and could grow at about 4 per cent a year for the

Likelihood of **SDR** issue

establish SDRs in the late 1960s after years of growing concern over a potential shortage of international liquidity and fears that this would stifle global economic growth. SDRs were initially issued to all IMF members in 1970 according to the size of their holdings in the Fund. By 1972 they accounted for 8.4 per cent of

But early hopes that the SDR might supplant the dollar at the centre of the world monetary system have faded. The last SDR issue was in 1981 and, as the chart shows, its importance as a reserve asset has declined since.

or SDR, is a prime example of the IMF's talent for closking The reluctance of IMF members to allow new SDRs has reflected the great changes in the global economy since the ments in bland phrases and early 1970s. Instead of dealing with a liquidity shortage, polcial "basket" currency, at icy makers soon had to contend with excess liquidity caused by inflationary US financing of the Vietnam War.

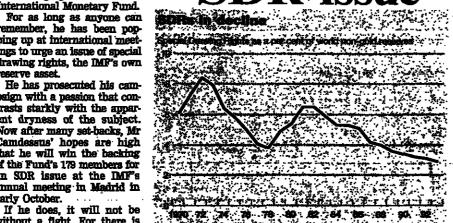
Economics Notebook

and the support of 85 per cent of the membership. So far the US and other G7

countries have rejected his arguments. But the prospect of helping Russia at no cost to itself has proven too tempting for the US Treasury. At the recent Naples G7 summit, aides of Mr Lloyd Bentsen, the US Treasury secretary, were touting the idea of a selective increase of SDR4.5bn to satisfy the newcomers' desire for finance and salve the industrial powers' conscience about

Last week, Mr Bentsen admitted that a general SDR increase was discussed in Naples. The way seems open for a compromise that would include a small selective SDR allocation for new IMF members, a rather larger general issue and, perhaps, increased access for countries in trouble to IMF resources that are subject to economic policy condi-

Mr Camdessus would then be able to enjoy a triumph in the 50th anniversary year of



agree an SDR allocation they give the Fund the power to

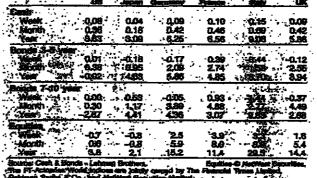
IMF members agreed to

world non-gold reserves.

However, no-one expects the long-standing developing country members of the IMF to allow the newcomers to boost their reserves without obtaining something for themselves. Almost certainly, there would have to be a general essary 85 per cent support for a selective SDR increase.

Madrid and declare that the IMF has received a ringing endorsement from members in the Bretton Woods agreement

Peter Norman



Total return in local currency to 21/7/94

to do about the demographics now might well choke off the hesitant recovery, creating a short-term fiscal problem as well as along-term one.

Inflation

If fears of an excess supply of bonds are misplaced, weak demand is already a reality. Investors have been fleeing prospect of a revival in output

to Japan. of slack in the economy is so great that there is little or no

at the start of the year. But it is hard to see how world inflation is going to get As noted above, the amount

bonds as global expectations of inflation have spread to Japan.

ment bonds has risen to 4.3 per

cent from less than 3 per cent

The yield on Japanese go

prices. Deregulation, moving admittedly at a snall's pace, is proceeding nonetheless, and is bringing down prices. And the rise in the yen's value is insulating the country from external price shocks. Core consumer price infla-

tion has decelerated to below 1 per cent. But this is only half the story. The figures seriously underweight purchases in the rapidly growing discount sec-tor. Anecdotal evidence suggests prices may be falling by as much as 5 per cent a year. Sustained deflation might itself create fiscal problems as

debt rises. But the current public debt/GDP ratio, at 47 per cent, is comfortably within the bounds of manageability. The attractions of low inflation are more important to the bond market than the vague long berm dangers of oversupply.

Exporters

With the yen showing scant sign of coming back to earth, investors might be tempted to dump equity in the major export sectors, such as transport, electricals and precision

But this could be an error. New research by UBS Tokyo shows that, despite the high yen, many firms raised exports

producing anything more than last year, and they can be the slightest of upticks in expected to do so again.

The explanation, according to Neil Rogers, a UBS equity strategist, iles in the real, as distinct from the nominal exchange rate. With the exception of Europe the major export markets for Japanese companies have been growing strongly. At the same time inflation is much higher in all of them than in Japan.

In the major Asian economies, consensus forecasts suggest growth should average over 8 per cent this year, with inflation above 9 per cent. Even in the United States, growth this year of 3.5 per cent could be accompanied by infla-

tion of 3 per cent. With prices and costs in Japan falling, the real appreciation of the yen is much lower than the nominal figure. And the large increases in demand mean companies should be able to remain competitive, either by raising prices and retaining market share, or by cutting margins and seeing

market share grow.

Meanwhile the deflation in
Japan that is keeping the country's goods competitive is likely to depress profits for those companies locked into the home market. The high yen may not help exporters, but neither is it likely to depress their competitiveness vis-a-vis industry as a whole.

Richard Mooney

Moment of truth for coffee

Coffee traders will have a better idea whether the price explosion in the coffee market over the past month is justified after tomorrow. The Brazilian government will then issue the first official assessment of the damage done to its coffee crop by the frosts of two and four

Unofficial estimates have put the prospective 1995-96 crop (the first one that will be affected) at between 10m and 15m bags (60kg each), compared with the 25m forecast before the frosts. But most

traders believe the lower figure price down further. exaggerates the extent of the

The September futures price on the London Commodity Exchange rose from \$2,255 to \$4,085 a tonne as the frosts sparked off bouts of near panic buying. It has since fallen back by \$450 but traders have been reluctant to push it any lower because further frosts will remain a possibility until early

Nevertheless, a forecast above 15m bags tomorrow would be likely to push the Freitas said. "The minister was

Mr Claus de Freitas, the Bra-

zilian National Coffee Depart-ment's director, has given little away ahead of the report. Talking to the Renter news agency last Wednesday he played down comments by Mr Elcio Alvares, the industry and commerce minister, that initial damage reports were exaggerated. "There were some reports that were exaggerated, not from the government, which is very cautious, but from the minister's own sources," Mr saying that some people were saying that the whole country was stricken. That did not hap-

Refusing to comment further, he told reporters: "The government cannot put out a number that isn't right."

Other events this week include an international rubber forum in Jakarta and the Mining in Africa conference in Johannesburg, both on Wednesday, and the publication of the International Wheat Council's latest grain crop estimates on Thursday.

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NATIONAL AND Gross Div. Yield 107.29 116.50 106.68 70.82 168.94 95.71 109.38 381.86 281.38 124.22 85.06 104.09 293.20 1107.30 42.84 128.60 129.03 42.84 128.60 178.76 88.25 134.00 96.32 120.93 130.93 1 140,93 183,16 130,98 104,45 221,90 129,85 116,74 333,91 163,18 72,33 136,71 163,18 72,33 163,19 163,29 161,29 176,01 176, -4.7 -7.9 -5.1 -2.1 -1.2 17.0 -8.6 -24.0 0.2 -12.1 -4.5 -5.8 -12.7 -13.2 -8.9 -10.5 -2.6 3.54 1.04 4.06 1.28 0.51 2.97 1.75 3.29 1.44 1.73 1.89 1.87 2.97 1.70 1.77 2.24 4.01 1.59 1.84 4.02 2.90 172,00 186,93 170,85 127,48 270,83 186,24 176,34 142,49 870,91 189,15 88,57 206,85 470,01 1871,27 206,85 48,67 206,85 141,47 214,82 188,42 193,87 184,78 165.85 181.25 164.75 162.93 281.15 169.07 137.40 189.04 557.87 180.44 1190.48 661.22 190.48 661.22 136.41 140.48 661.22 136.41 140.48 661.22 136.41 140.48 661.22 136.41 140.48 158.58 152.18 136.61 127.22 228.00 173.42 148.59 118.74 367.57 164.95 103.67 104.09 469.02 6962.97 165.03 60.36 193.05 239.44 284.04 139.32 247.39 130.72 185.36 108.40 115.27 108.02 79.73 169.46 98.77 107.78 88.96 232.18 123,80 55.41 103.08 294.85 1182.00 4.1 -0.5 -6.9 -0.8 -1.8 -24.0 -20.7 -20.7 -20.7 -20.7 -1.8 -20.7 -1.8 -20.7 -1.8 -1.8 -20.1 -1.8 -20.1 -1.8 -20.1 -1.8 -20.1 -20.7 -1.8 -20.1 -20.7 -1.8 -20.1 -20.7 -1.8 -20.7 -20. 276.79 186.87 186.87 147.97 506.56 209.33 97.78 170.10 211.21 172.72 142.56 .572.06 .198.40 369.05 185.06 105.04 103.08 471.49 7050.06 165.40 60.27 193.93 238.01 283.52 140.68 251.68 131.62 184.94 308.63 184.57 73.66 137.03 391.97 1571.17 170.94 57.00 170.43 170.97 179.97 180.55 180.59 183.40 126.80 42.88 126.21 213.20 176.74 88.07 135.39 98.22 121.04 115.41 ...88.71 ..205.48 .283.22 .141.14 .216.90 139,55 174,72 142,58 141,20 148,47 125,96 201,86 141,85 142,75 143,82 106.25 133.02 108.55 107.50 113.04 95.90 163.89 108.00 108.65 154.08 209.48 113.67 129.67 180.80 134.28 220.58 133.00 145.61 148.28 178.58 220.60 176.66 173.88 192.73 157.47 296.21 174.76 175.58 164.89 208.07 167.54 198.30 178.01 148.61 240.12 167.11 168.47 - 169.56 108.04 183.81 107.74 108.94 113.19 95.57 154.42 107.47 155.21 212.52 112.78 129.57 180.99 135.27 170.82 164.24 0.9 13.2 19.0 10.5 -2.7 3.8 -13.7 140.95 177.86 -8.0 5.2 8.6 0.9 -2.6 -4.4 -17.2 0.8 0.5 -0.6 -4.9 2.89 1.40 1.00 1.87 2.89 2.89 2.89 1.89 2.05 2.24 .159.93 .214.43 .172.68 205.68 1676.18 174.78 148.24 237.58 166.94 168.00 168.03 178.80 170.32 213.26 174.02 172.33 181.21 153.73 246.38 173.13 174.52 175.28 183.14 143,22 142,15 150,46 127,03 206,27 142,85 171.58 221,03 132,69 145,32 148,18 175,63 Profic St. Japan (29) World St. US (1852) World St. UK (1967) 114.28 151.90 175.97 169.68 109.77 144.15 149.27 178.97 158.65 180.19 2.24 -0.4 170,22 109,47 146,51

NEW YORK

WORLD BOND MARKETS: This Week

Friday's release of advance data on the growth of Gross Domestic Product in the second quarter is the main event of the week on the bond market but the figures seem unlikely to give much of a clue as to the future direction of the

ended the week still hovering at just above 7.5 per cent. Wall Street expects GDP growth to come in at around 4 per cent. up from 3.4 per cent in the first quarter. The pick-up has not been driven by consumer spending, which is thought to have grown by no more than 1 per cent, but by a

yield on the long bond, which

build-up in inventories. The growth in inventories can be read two ways. Manufacturers, wholesalers and retailers may simply have misread demand during the period. If so, production should fall off in the third quarter, making manufacturing capacity constraints less of a concern. That would be good news for inflation and, by implication, the bond market.

ÜS Benchmark yield curve (%)* ⇒ . Monthago 💳 6.0 5.0

10 years 20

Richard Waters

Alternatively, the second-quarter inventory picture may reflect a greater confidence about future consumer spending, and an intended reversal of the long-term trend towards lower inventory levels.

After the Fed chairman's growing warnings about inflation last week, the bond market may decide to mark time ahead of next week's more significant employment data, due on Friday.

Peter Norman

uK

8.0

7.0

Benchmark yield curve (%)*

years

the market's fortunes have

Stanley's UK economist, is

ylelds will be back at 9 per

of Yamaichi International

cent by the year's end,

expects yields to fall to 8 per

reflecting a benign inflation

pessimistic and forecasts that

However, Mr Adam Chester

whether we have seen a rally

Mr Kevin Gardiner, Morgan

changed for the better or

in a hear market.

cent in December.

20 25

The gilt edged market's attention will be focused on Wednesday's auction of £2bn of conventional 6% per cent long dated stock due 2010. The auction is the first of stock maturing beyond 10 years since January and will be watched closely for signs of interest among international investors, who might be tempted by hopes of a currency

LONDON

Although recent indicators suggest economic growth above the long-term trend, worries about inflation are unlikely to be sufficiently pronounced to upset the sale.

The issue came at the lower end of expectations in terms of size and is likely to meet demand from such traditional UK investors as pension funds and insurance companies. It also follows a period of

immoving sentiment in the market, which has seen yields on 10 benchmark bonds drop to around 8.3 per cent from about 9 per cent six weeks ago.
The big question is whether

FRANKFURT

The Bundesbank's application of the brakes on all three of its kev interest rates - completed last week with a fixed securities repurchase rate of 4.85 per cent for the duration of its four-week holiday - left plenty of options open for the autumn.

Mr Gerhard Grebe, chief economist at Bank Julius Bār. suggested it also presented a risk. In the case of another bout of dollar weakness, intervention would be the only disposal, he said.

That apart, the Bundesbank council left for its vacation in an unusually comfortable situation.

Money supply is not half as bad as the bare figures suggest; inflation is still on the down-track, and the economy is beginning to fire on more cvlinders.

If these conditions persist the bank could resume its monetary easing at any time after the break. While some are betting on further moves

Germany Benchmark yield curve (%)* 7.8 7.3 6.8

6.3

5.8

5.3

nothing.

Sep

Dec

Christopher Parkes

before the October federal elections, there is also a school of thought which suggests the Buba will wait until later. This would avoid any accusations of political motivation, and give ore time for M3 to settle

10 yrs 20

down and the bank's reputation to recover from its recent shaking. On the other hand, as Mr Johann Wilhelm Gaddum hinted last week, the hank

10 year benchmark bond yields

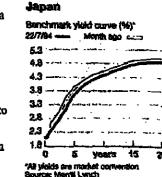
Jananese government bonds are expected to be trapped in a range this week as technical factors are likely to prevent traders and investors from taking large positions.

TOKYO

Although a spreading optimism over economic recovery and a rise in short-term interest rates due to active fundraising by banks resulted in a net loss in bond prices last week, the change in traded bond futures contracts next month from the September to December contracts have prevented a

sell-off. Meanwhile, cautiousness of over-supply still prevails, and market participants will focus on a government offering. expected mid-week, of Y1,000bn in 10-year bonds to test the real strength of the market.

In spite of previous concerns, last week's Y100bn Tokvo Electric Power straight bond issue and Y100bn offering by Nippon Telegraph and could decide to sit pat and do Telephone were well received by investors. Traders, however,



Emiko Terazono

said the corporate issues were priced attractively to draw buyers, and that it would be harder for investors to absorb a large government issue. Mr Katsuyuki Nawata, bond analyst at Sanwa Bank, says a coupon of around 4.4 per cent may attract institutional investors. He expects a range

of 4.27 per cent to 4.45 per cent

bond as long as economic data,

on the yield for the No 164

released this week, do not

betray market expectations.

Capital & Credit / Frank McGurty

Greenspan deflates Wall Street optimism

Just when it seemed safe for investors to wade back into the US Treasury market, Mr Alan Greenspan returned to the beach, blowing his warning whistle again.

The menace, of course, is higher inflation, not to mention the commitment of the Federal Reserve chairman, as America's economic lifeguard, to contain the danger by lifting interest rates whenever the central bank sees fit.

It seems the demise of uncertainty was greatly exaggerated in the run-up to the Fed chief's appearance on Capitol Hill. "What people want is certainty and we can only be certain they are not going to find it," says Mr Jim Grant, editor of Grant's Interest Rate Observer.

Mr Greenspan made sure of that in his semi-annual Humphrev-Hawkins testimony before the Senate and House banking committees. He told them that it was "an open question" whether inflationary pressures were still lurking below the surface of the economy, despite the steady increase in interest rates since February.

He left bond traders with the distinct impression that a fifth move to tighter money supply this year could come at any time, though he stopped well short of saving a rate increase was a foregone conclusion.

Most analysts now expect a tightening will coincide with the Fed's next policy-making session on August 16. After its July policy meeting,

when the policy was left unchanged, bond traders began to grow bolder in the conviction that the Fed had indeed achieved Mr Greenspan's stated goal of moving to a "neutral" policy stance, one which would neither encourage or discourage expansion.

"The market wants to believe what has been profitable for a long time, namely, that the economy will oblige by coming in weaker than expected," says Mr Grant, The big jump this spring in leveraged positions held by primary government-bond dealers, from \$147.4bn on March 20 to \$169bn on June 22, shows the willingness of the market to throw caution to the wind, he says. Still, the perception that

monetary policy was on hold was reinforced by recent data. Business inventories in May showed their largest monthly increase in seven years, the Commerce Department reported just a week ago, suggesting a slowdown in industrial production in the second

half of the year. With such evidence of a cooling economy in hand. Mr Greenspan had been expected to confirm the market's rekindled hopes and pave the way for the bulls' return.

Had traders revealed a touch of naivety? Nonsense, says Mr Robert Brusca, an economist at Nikko Securities in New York. Only a week earlier, Mr Greenspan himself had described the economy as enjoying the best of both worlds: moderate growth and low inflation.

People thought that after that description, we would hear a rather friendly testimony last week, which did not turn out to be the case," says the analyst, who has been critical of what he describes as the chairman's "ad hoc" handling of monetary policy during the recession and afterwards. "The

1 & 2 September 1994, London

WORLD AEROSPACE AND AIR TRANSPORT

question now is, who is testifying: Dr Jekyll or Mr Greenspan," Mr Brusca quips.

Other analysts, however. contend that the market was ripe for a setback last week, regardless of the tone and substance of the Fed chief's remarks.

Much of the buying in the brief rally that preceded his testimony came from dealers covering "short" positions, that is, replacing securities they had borrowed and resold on speculation that prices would fall. Most retail accounts stayed on the sidelines or confined their activity to the short end of the maturity range.

Where does the market go from here? With Mr Greenspan's cautionary note, bonds appear vulnerable. With all the short positions driven out, the most likely direction is a downward drift until after the Fed's August 16 meeting.

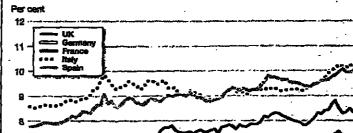
Traders say an unturn is possible, but unlikely, if economic data over the next month are perceived as causing the Fed policy-makers to delay the move for which Mr Greenspan has laid the groundwork.

Mr Scott Knous, senior fixedincome analyst at Technical Data of Boston, expects the yield on the benchmark 30-year Treasury to spend the next month near 7.75 per cent. 25 basis points above the recent low of just under 7.50 per cent. He describes the overall tone as "non-committal".

But the market will not confine its perspective to the US economic fundamentals. A further cut in German rates, a dollar rally and a fall in commodity prices would prove supportive, traders say.

The market will need as much help as it can muster with some \$97bn in fresh supply coming up for auction before the Fed session.

Not everyone is pessimistic about the outlook, even though the Treasury's quarterly refunding operation falls in the middle of the summer doldrums. "I don't think the supply itself will be a problem if the market begins to get some signal that will resolve some of these uncertainties," says Thomas Poor, manager of Scudder's Global Opportunities US Short-Term Income Fund.



UK 4.50 4.88 4.81 3.50 1.75 6.46 -7.00 6.25 Overnight Three month 7.93 8.22 4.88 4,49 5.55 6.91 7.56 2.18 5.18 9.00 11.62 8.28

US TREASURY BOND PUTURES (CET) \$100,000 32mls of 100%

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Schlumberger

SCHLUMBERGER SECOND QUARTER 1993 EARNINGS

New York, New York, July 21 -- Schlumberger Limited reported second quarter net income was \$123 million and earnings per share were \$0.51, 2% above the first quarter of 1994 although 24% below the same quarter last year. Operating revenue was \$1.64 billion, comparable to the first quarter but down 5% over the second quarter of last year. This result was mostly due to weak activity in the Middle East, Nigeria and the North Sea, which offset the strong growth in North America. For the first six months, operating revenue was 1% below the same period last year while net income before an extraordinary item was down 17%

In Oilfield Services North America, revenue for all product lines grew strongly compared to the same quarter in 1993, fineled by an 18% increase in average rig count. Elsewhere, the rig count declined by 5% to pre-oil embargo levels of 1973. Oilfield revenue outside North America declined more than the drop in rig count due primarily to Geco-Prakla. The revamping of Geco-Prakla was completed by the end of the quarter and they now have the organization in place to develop their business profitably.

Measurement & Systems revenue in US dollars was down 5%, or 2% in local currencies, mainly due to an activity decline in Gas Management in the UK. However, Automatic Test Equipment sales increased substantially and Electronic Transactions continue to grow. The recently created Asia organization is starting to capitalize on the potential of this growing market.

The fundamentals of the oil industry continue to improve. With the notable exception of the CIS, world oil demand is up significantly. Supply is flattening and even some OPEC countries are beginning to have difficulties producing their quotas. We believe that this environment will result in firmer oil prices higher oilfield activity and opportunities for us to selectively increase

The Financia States Plate to public a Surrey or

ENCERNISCHI

on Filday, Soptember 2

Produced at print centres in Tokyo, New York, Frankfurt.

toubsix and London it will be read by senior business people and

icular interest to the 130,000 directors and managers in the

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FT Surveys

ent officials in 180 countries worldwide, it will also be of

This conference, which has the support of the Society of British Aerospace Companies, is the latest in the Financial Times' international series of high level serospace meetings. It will focus on the challenges facing the industry in the next century, how it is restructuring for the future to achieve growth, together with the Impact of government policy. Speakers Include: Professor Herman De Croo, Comité des Sages; Mr Robert I. Dryden, Boeing Commercial Airplane Group; Mr Robert Ayling, British Airways; Mr Hans Mirka, American Airlines; Mr Michael T Smith GM Hughes Electronics; Mr Jan Stenberg, SAS, and Mr Eugene Buckley

FT CONFERENCES

THE NUCLEAR INDUSTRY - INTO THE 21ST CENTURY?

14 & 15 September 1994, London This high-level meeting will examine the outlook for nuclear power in North America and western Europe, considering the impact of current government moratoria and the role of nuclear in the fuel mb., and review growth potential in the Asia-Pacific region. The challenges of improving ncy and safety at nuclear plants in eastern Europe and issues related to managing the fuel cycle will also be addressed. Speakers will include: Rémy Carle, EdF; The Honorable John Reid, Canadian Nuclear secciation; Dr Thomas B Cochran, Natural Resources Defense Council USA; Dr Yih-Yun Hau, Atomic Energy Council, Talwan; Michael Folger, United Kingdom Nirex Limited; Professor Jurgis Vilemas, Lithuania Energy Institute; Thierry Baudon; EBRID; John Quinness CB; British Nuclear Fuels; Mr Jean-Pierre Rougeau, COGEMA and Dr Rachel

RETAILING TOWARDS 2000 - COMBINING VISION AND EFFICIENCY

London, 21 & 22 September 1994 This year's meeting will focus on the need for the retail industry to exploit fully the opportunities that new markets and new technologies offer while, at the same time, dealing with the fundamental business challenges maximising profitability; controlling costs; managing the property portfolio and 'crime busting'. Whining retail formats will be those that successfully combine vision with efficiency. Speakers at the conference, arranged jointly with Coopers & Lybrand, include: Teh Ban Lian, Emporium Holdings (Singepore) Ltd; George Beston, Edgars Stores Limited; Jac Walker, Megafoods Stores Inc; Mark Lifty. The Disney Store Limited Robert Miller, Galleria 21 (UK) Lid and James May, British Retai

INTERNATIONAL BANKING

Madrid, 29 & 30 September 1994 This major forum, immediately prior to the annual meetings of the IMF and the World Bank, will debate the outlook for banking in the mid-1990s and address a wide range of Issues of current concern to the International financial community. Speakers taking part include: Emilio Botin Rios Banco Santander, Dr H Onno Ruding, Citicorp: Richard J Boyle, Chase Manhattan Bank NA; Dr Josef Ackermann, Credit Sulase; Egidio Gluseppe Bruno, Credito Italiano and Dr Horst Kohler, Deutscho

WORLD MOBILE COMMUNICATIONS London, 17 & 18 October 1994

The Financial Times '94 conference will focus on the growth of mobile communications, the various technologies being adopted and new operator strategies. Speakers include Dr Herbert Ungerer from the European Commission, Mr Charles Wigoder, Managing Director of The Peoples Phone Company, Dr Joachim Dreyer, Chairman of Debitel stachrik, Mr Barry A Kaplan, Vice President of Goldman Sachs & Co, Mr Tomas Julin, Managing Director of Unisource Mobile, and Mr Jan Neels, President & Chief Executive Officer of AirTouch

INTERNATIONAL INFRASTRUCTURE FINANCE-BUILD-OPERATE-

London,4 & 5 October 1994 This major FT conference will focus on build-operate-transfer[BOT] opportunities in key growth markets, to include Eastern Europe, South Africa and the Middle East. The challenge of financing and managing BOT contracts will be highlighted in recent case studies of major projects in the power, telecommunications and environmental infrastructure sectors. kers include: Sir Alistair Morton, Eurotunnel, Thierry Beudon, EBRD, Dr Jacques Rogozinski, Banobras, Inder Sud, The World Bank, John Holliban III, Morgan Stanley & Co Limited, Michael Heath, Nynex Network Systems Company, George Kappaz, KMR Power Corporation, Mr Christopher Nash, Northwest Water International Ltd, Mr Malcolm Stephens CB, The Berne Union.

All enquiries should be addressed to: Financial Times Conferences, P O Box 3651, Landon SW12 9PH, UK. Telephone: 081-673 9000, Fax: 081-673 1335.

International / Tracy Corrigan and Conner Middelmann

Latin America sector in the doldrums

Among the financial markets which have been battered this year, the Latin American bond markets have suffered more

than most. As a result, the yield spreads available on Brady bonds (created from restructured country debt) and eurobonds relative to the US Treasurles market now

appear generous. "Investors have attractive opportunities for capital appre-ciation and total return in this asset class," according to Mr Thomas Trebat, head of emerging market research at Chemi-

cal Bank in New York. "From a fundamental standpoint, the market is oversold and undervalues the long-term commitment in Latin America to political and economic reform.

In fact, the spreads available on much of the region's debt have ballooned back to levels last seen several years ago. For example, in Venezuela, the worst performer, par bonds are now trading at 1,475 basis points over the comparable US Treasury yield, compared with 530 basis points at the start of the year.

In recent weeks, the spread on its debt conversion bonds due 2907 has widened to close to 2,000 basis points, from 1,269 points at the beginning of June, as a result of the country's worsening economic and financial situation.

Venezuelan debt is "cheaper now than before the Brady restructuring in 1990, when it was in default and paying no interest." said Mr Aldan Freyne, head of emerging market sales at Salomon Brothers

Europe. "Basically, the market is looking at the possibility of default, though I think that's unlikely," he said.

Even Mexican par bonds, are now trading at a spread of 520 basis points - wider than the level of 430 basis points at the end of 1992 - compared with 230 basis points at the start of the year.

Argentine par bonds are actually trading at a tighter spread now than at the end of 1992, at 730 basis points, compared with 950 basis points. However, the comparison with the start of the year, when the spread stood at 350 basis points, is still stark.

The question for investors is whether current spread levels leave room for the sort of tightening seen in the market in 1992 and 1993. The general view is that such a bull run for Letin American bonds cannot be repeated - and not simply because investors have been badly burnt.

More importantly, the bearish environment for US interest rates is likely to cap the potential performance of Latin American bonds.

"The market is very much overshadowed by the US Treasuries market," said Mr Peter West economic adviser at West Merchant Bank. "One would have thought

that individual countries' stories will provide some man for tightening - for example, Mexico - but at the moment we are in the doldrums. Just because something's cheap

doesn't mean it can't go down. The other factor constraining the performance of the

market is the fact that the universe of investors in Latin American honds has shrunk Hedge funds and mainstream fund managers who flocked to the market during the bull run have pulled out and are unlikely to return in a hurry.

Political uncertainty has also made investors reluctant to commit funds to these markets. But, according to Mr Freyne, "things should clear up in about three months. when the Mexican elections are out of the way, when we'll have a clearer idea about who will win the Brazilian elections, and when the situation in Venezuela may have

For the moment, however, investor flows are very thin. This has taken its toll on the new-issues sector, where the supply of eurobonds has all but ground to a halt.

The volume of external bond offerings in the second quarter of the year fell below \$1bn per month, according to West Mer

chant Bank. Volume in the first half of the year totalled \$8.4bn, mostly concentrated in the first few months before the reversal in the US interest rate cycle. By contrast, for the second half of 1993, volume was close to 316bn

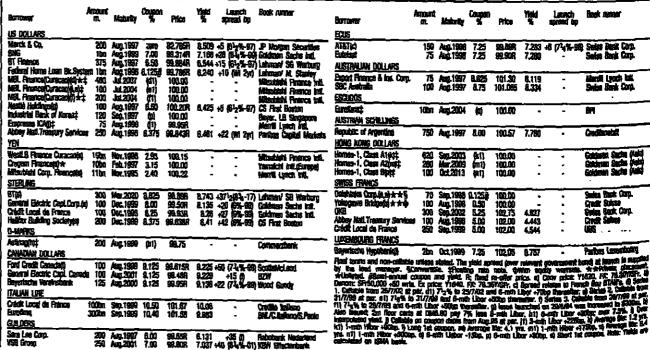
The effect of the decline in capital flows to Latin America could be higher domestic interest rates in some countries, as governments and companies are forced to step up borrowing in their own markets, which could, in turn, cause a slow-

down in growth. On the other hand, there are some balancing factors. Rising commodity prices and the strength of the US economy are both positive for these

countries. In the coming months, occasional country-specific news and pauses in the upward trend in US interest rates may allow short-lived rallies in Latin American fixed-rate

bonds to take place. However, in an environment of rising interest rates, investors seeking a low-volatility exposure to Latin American markets may be better off holding floating-rate notes, which have recently outperformed fixed-rate bonds

NEW INTERNATIONAL BOND ISSUES





UK who reed the weekday FT.

in connection with Wales, call:

Investors leave **Wall Street** stuck in neutral

NEW YORK

The second-quarter reporting season is in full swing, but Wall Street is stuck in the summer doldrums. A fresh tide of corporate results will sweep through Wall Street this week, but any positive impact is likely to be limited to a few

individual stocks.

Certainly last week's activity suggests as much, despite predictions of a midsummer rally.

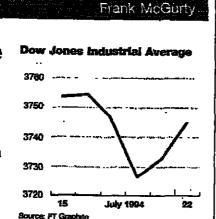
If the corporate sector demonstrated its profitability in the face of a steady rise in US interest rates during the first half, the argument went, cash would start flowing back into equities.

In the event, several of the market's beliwethers turned in outstanding performances. Most notably IBM, Motorola and Apple. All handily beat forecasts and were rewarded with big jumps in their share prices, But the buying enthusiasm never spilled over to the technology sector in general. Even worse, Compaq and Intel were hammered in spite of turning in decent

quarterly performances.
"The market is stuck in neutral." says Mr Gregory Nie, technical analyst at Kemper Securities in Chicago. Indeed, investors seemed to be in the

nood to nit-pick. Take the case of United Technologies. It posted net income 32 per cent ahead of the year-earlier level and in line with Wall Street's expectations. But analysts cited concerns over tight margins in its 's automotive components arm and other details of the report. By the end of the

General Motors and Ford lead the list of big companies set to unveil their



results this week. Both are expected to come in at the high end of expectations but their stocks may not fare so well. Ten days ago, shares in Chrysler dipped even though the company posted record profits. Investors are concerned that the recovery in motor vehicles has already passed its peak.

The recent data suggests economic growth is moderating, but the stock market was reminded last week that the Federal Reserve's policy-makers were not away on summer holiday. With Mr Alan Greenspan hinting that interest rates may need to be lifted before autumn, the wait-and-see posture assumed by many equity investors is likely to be sustained at least until after the Fed's August 16 policy-making

To complicate the picture, technical conditions in the market are not favourable, with the relationship between advancing stocks and their volumes to declining stocks and their volumes approaching what analysts describe as an "overbought" position.

"We could easily go sideways for quite some time, with outside risk we could slip into a second leg of a correction," warns Mr Nie. "Playing your cards close to your vest makes sense in the near term.

EQUITY MARKETS: This Week

UK back on course for the recovery

LONDON

There is a heady feeling of "Christmas in August" in the stock market, as signs that the worst may be over for the dollar have invited investors in the UK market to celebrate growing evidence of strong and accelerating economic growth and subdued inflation.

The next round of corporate results, still more than a month away, is likely to bring further gains in dividends and earnings. This week brings little for markets to worry about, with the latest industrial trends survey from the Confederation of British Industries expected to confirm market confidence And both the Federal Reserve and the Bundesbank have now wound down for the summer holidays.

No wonder one leading analyst refers to the current UK economic experience as "something of a Golden Age", even if be admits that a more negative interpretation is that the current scenario may not be all that different

from previous cyclical recoveries.

The FT-SE 100 Index is now around 9 per cent up from the low points touched at the end of last month, so it is not surprising that some of the technical chartists are becoming nervous. Derivative Securities, the futures technicians, regard FT-SE 3,135 as a "still valid" ceiling for the market at present, although the firm is not advising clients to sell just yet. Overbought markets, which Derivative Securities judges this one to be, can persist in that state for some time when the underlying mood is confident.

For the true bear case, on the global

as well as UK markets scale, nervous

investors must turn to Nomura

FT-SE-A All-Share index 1,535 1.530 15

Terry Byland

Securities, which continues to express caution on equities because it believes that stronger than expected economic growth leads to higher than expected inflation and interest rates - casting doubts over the widespread optimism for corporate earnings growth.

There is some support from other securities houses for Nomura's fears that the dollar remains vulnerable. "We are still not entirely convinced . . . " says NatWest Securities. But most London-based analysts stress that last week's renewed uncertainties over the dollar and near-term prospects for US interest rates have failed to restrain bond or equity markets in Europe.

De-coupling, in fact, appears to be here at least. Mr Albert Edwards at Kleinwort Benson believes there is no reason why US growth and inflation should affect non-US markets "other than in a marginal and sentimental

euphoria, there is still no rush by City analysts to upgrade UK market forecasts for the year. After a very difficult, and often painfully expensive, first half to 1994, the mood is that the market is back on course for the recovery thwarted so far this year by the savage collapse in bond markets.

However, in spite of the general

International offerings / Antonia Sharpe

Foreign buyers gear up for German privatisations

For years, the chance to get a significant slice of Germany's untold wealth of companies has been an impossible dream for international investors because of the labyrinthine which are held by the country's biggest banks and compa-

nies or by the state. But the ever-stronger need for capital, which can no longer be met exclusively by Germany's banking sector or, in the government's case, by the bond market, is causing these corporate edifices to dismantle. The big companies and banks now realise that they

have to move with the times and they are starting to use the equity market more fully to satisfy the requirements of capital," says Mr John St John. director of equity capital markets at Kleinwort Benson in

As far as the state is concerned a considerable slag of its assets has already been sold off in recent years but more privatisations are expected in the next year, international investors are gearing up for a further tranche of shares in Lufthansa, the national airline, which is scheduled to come up for sale in early autumn.

In May, the government approved plans for the progressive privatisation of Lufthansa and promised to reduce its

to 38 per cent by not participating in a rights issue. Bankers forecast that Lufthansa will receive up to DM2bn of new capital from the operation.

They also believe Lufthansa will not offer the shares to US investors, by way of a 144a offering, to limit the risk of excessive foreign ownership which could jeopardise its national flag carrier status. A second tranche to dispose of the entire state shareholding could be sold before the end of

However, the government's long-awaited privatisation of Deutsche Telekom, Germany's telecommunications company, is expected to be a truly global affair with the "book-building" process, internationally acknowledged as an efficient way of getting the best price by flushing out all potential

ouyers, playing a central role. Market valuations of the company range from DM60bn DM100bn, which suggest that the sale of the first tranche of the shares could yield between DM15bn and DM20bn. But investors are likely to have to wait until late 1995 or even 1996 before the shares come up for sale.

Meanwhile, the need for capital, either to plug holes in public finances or to pay for long-term social infrastructure programmes, is compelling the west German Lander (states) and cities to join in the privatisation drive.

Ms Ingeborg Elisabeth Buhl at Deutsche Bank Research in Frankfurt says that, although several Länder substantially reduced the number of their holdings in the 1980s, the value of their assets has risen appreciably in the last decade.

"Privatisation has enormous potential at Länder level," says Ms Buhl, though she points out that state interests in shoring up regional industrial locations and jobs could slow this pro-

Nevertheless, there are overwhelming signs that the Länder now regard privatisa-tion as the solution to their financial needs. Bavaria has aiready conducted several privatisations and the next on the agenda is the sale of its 33.8 per cent share in Rhein-Main-Donau, the company operating the canal linking Germany's two main rivers with the Dan-

Meanwhile, Baden-Württemberg plans to sell off loss-making operations, including its world-famous spas.

The wind of change is also blowing through the boardrooms of several of Germany's big conglomerates, which are seriously considering the sale of non-core businesses

2.

OTHER MARKETS

FRANKFURT

Worries about tomorrow's results from Deutsche Bank and Commerzbank made for nervous trading in the sector at the end of last week, urites

John Pitt. Nevertheless, taken as a whole, the country's banking sector remains attractive to a number of brokers.

Paribas Capital Markets expects the sector to outperform the market over the next six months, following a period of underperformance over the past year banks have lagged behind by 12 to 18 per cent

"Over the last six months. sentiment has suffered from

err in the dold.

....

adverse publicity concerning the banks' involvement in various scandals," said Paribas.

It rated Deutsche a buy, arguing that the Metallgesellschaft and Schneider involvements were likely to prove "special cases in the German recession rather than the rule".

AMSTERDAM

Equities have managed to remain resilient to the turbulence in Europe over recent months. With the reporting season due to begin next week - DSM results are expected on August 3 - it is possible that strength will be maintained. However,

Kleinwort Benson forecast last week that it was difficult to see the market continuing to

outperform the rest of Europe The limited cyclicality of the index and the fact that only a modest economic recovery is expected in Holland is likely to become a drag on performance," it said. Maintaining a neutral

weighting, Kleinwort's noted that the expected strong growth in corporate earnings had already been discounted. "We remain of the opinion that the current enthusiasm for the market's defensive

qualities will be short-lived, as

investors are likely to turn

their attention towards more

cyclically geared markets in the coming months," it said.

MILAN

Investors will be hoping for a calmer atmosphere after last week's political and budgetary excursions. However, Merrill Lynch warned clients last week that the row over limiting magistrates' powers was unlikely to be the last time that the government stumbles, given its lack of political experience: it did not bode well for its chances of forcing through economic

reforms. Nevertheless, some brokers are positive on the short-term outlook, noting that August is traditionally a strong account as local investors use summer salary bonuses to build portfolios.

MADRID

With renewed optimism about the economic outlook underpinning the market last week, the focus in the coming week will be interims from Santander and BCH. UBS recommends the banking sector, saying that sentiment is set to improve as second-quarter results are left behind, which will lead to increased focus on the banks' cheap fundamentals.

TOKYO

Uncertainty over the yen's strength is expected to weigh on prices this week, in spite of signs of economic recovery, urites Emiko Terazono.

With the market finding buyers around 20,000-20,500 levels on the Nikkei index, and potential sellers around 21,000, prices fluctuated in a narrow

range last week. However, analysts point out that the yen's strength has yet to be factored into share

Although last week's Bank of Japan quarterly economic outlook was optimistic and many of the economic figures to be released this week are expected to indicate a pick up in activity, there is still a risk to growth from currency

movements Barclays de Zoete Wedd reckons a 5 per cent currency appreciation cuts GDP growth by 50 basis points.

HONG KONG

Domestic issues are set to command greater interest over the coming weeks, as the interim reporting season unrolls and a signal on the state of the colony's property market is delivered at writes Louise Lucas.

Brokers say fears of a US interest rate rise have now been largely discounted and a clutch of good results from the corporates and a show of healthy demand at the land auction stand to nudge the Hang Seng index upwards. Turnover is likely to remain

above the lows of around HK\$2bn witnessed earlier in the month.

The land to be offered for sale is not considered by analysts to be especially good, but the auction itself will be the first since May 26 - when developers bid together in big consortia to secure two parcels of land at orices markedly lower than market

expectations. The government last week adopted a mild set of measures aimed at preventing a recurrence.

Companies due to report their results this week include Wheelock, the Hong Kong corporate empire of the late Sir Yue-kong Pao. which will announce its finals on

Compiled by Michael Morgan

EMERGING MARKETS: This Week

The Emerging Investor / Patrick McCurry

shares could more than triple

Even without reforms the

Brazilian market has shown

impressive, if volatile, growth

in the past. Last year the main Sao Paulo index doubled in dol-

lar terms, partly fuelled by a

net overseas inflow of \$5.5bn to

the capital markets. The poten-

tial for Brazilian equities has

attracted the interest of many

foreign investors, but most

Brazil's stock market hopes ride on the real

The long-awaited arrival of Brazil's new currency, the real, could prove the launching pad for a soaring stock market. Inflation is expected to fall dramatically, helping the financial markets' preferred presidential candidate, Mr Fernando Henrique Cardoso, and possibly paving the way for longer-term economic reforms.

But the continuing political uncertainties surrounding the October elections and an overvaluation of the new currency have so far prevented a large capital inflow. The real, which is linked to Brazil's foreign exchange reserves of nearly \$40bn, was introduced on July 1 and should result in a fall in monthly inflation from 50 per cent in June to less than 10 per cent this month

Local investors are betting that the real, which is part of a government anti-inflation plan, will lead to the election of Mr

plan through Congress. Mr Cardoso, who is regarded by the financial markets as a modernist, has been trailing Mr Luiz Inácio Lula da Silva of the left-wing Workers Party in the opinion polls, although the gap has narrowed significantly

since the real was introduced. "A lot of investors are not afraid of Lula but of the reaction to him," says Mr George Rexing, a director at the Brazilian bank Banco Indusval, referring to estimates that the market could suffer a short-term fall of 50 per cent or more if Mr

Cardoso, the former finance minister who negotiated the and a grateful electorate voting

Country	\$ close		%	
Distractors			%	
	0.1727	0.0252	17.11	
Philippines	17,2676	2.3337	15.63	
Peru	4.3488	0.5447	14.32	
Brazil	0.0224	0.0027	13.52	
	7.7960	0.9103	13.22	
	0.4269	0.0472	12.44	
	1.1006	0.1176	11.96	
		0.0007	10.70	
= -	3.2559	0.2948	9.95	
Peru	3.8707	0.3387	9.59	
		Source: Barin	g Securities	
	Brazil Peru Turkey Philippines Brazil Peru	Philippines 17.2576 Peru 4.3488 Brazil 0.0224 Peru 7.7960 Turkey 0.4269 Philippines 1.1006 Brazil 0.0074 Peru 3.2559	Philippines 17.2576 2.3337 Peru 4.3488 0.5447 Brazil 0.0224 0.0027 Peru 7.7960 0.9103 Turkey 0.4269 0.0472 Philippines 1.1006 0.1178 Brazil 0.0074 0.0007 Peru 3.2559 0.2948 Peru 3.8707 0.3387	

for Mr Cardoso in a second ballot in mid-November. If Mr Cardoso were to carry out radical reforms to public finances, analysts believe

in value during his presidency. They base the prediction on equities' growth in other countries where fiscal reforms have been made such as Mexico. Argentina and Chile. Currently, Brazil's stock market capitalisation represents about 25 per cent of gross domestic product compared with about 50 per cent for Mexico.

da Silva were to win.

Nevertheless, the relatively smooth introduction of the real, coupled with a stronger showing in the polls for Mr Cardoso, has lifted Sao Paulo's volatile stock market index by about 11 per cent so far this month. The bullish scenario sees a huge fall in monthly inflation, to between 2 and 5

have not yet decided to take the plunge because of the political uncertainty.

According to Mr Julius
Buchenrode, head of investments at Chase Manhattan's Brazilian subsidiary, there has been a big increase in recent months in registrations with the bank from foreign, mainly

US, mutual funds, pension funds and trusts. Another worry among foreigners has been an overvaluation of the new currency. The central bank, which has not intervened at all in the foreign exchange market since the

first day of the real, has let the currency appreciate on the open market by 7 to 8 per cent. roughly reflecting the interest rate differential between Brazil and international markets.

The result of the overvaluation has been that shares are now more expensive in dollar terms and there is some exchange rate risk for foreign investors entering the market as most analysts expect the dollar to revalue as Brazilian interest rates fall. Before the real, the central bank devalued the cruzeiro on a daily basis in line with inflation.

contributed to keeping overseas investors out of the mar-ket and the climb in equities this month has been caused almost entirely by local investors, brokers say. The overvaluation could hit exporters. Most of the big exporters closed contracts

The exchange rate risk has

before the real but smaller companies will suffer, according to Mr Ricardo Gallo, a director at Bank of Boston's Sao Paulo office. Another sector that could come under pressure is the banks. They could suffer

reduced third-quarter results as they will no longer be able to make easy profits from interest-free floats. However, the fall in inflation should be partly offset by the introduc-tion of charges for many ser-

Shares that could prove attractive are those related to

Egyptian market set to expand Egypt's illiquid stock market is in for a relative bonanza, writes

Mark Nicholson in Cairo. Some five public sector companies are set to float shares by the end of the year under the government's privatisation programme - moves which should more than double the number of actively traded stocks on the exchange. Although Cairo's bourse lists 674 companies, only 20 or so trade actively and only two or three, including Suez Cement and Commercial International Bank, resemble anything like "alpha"

But next month - the launch date remains to be set - Ameriya Cement Company should join this elite. The government Holding Company for Metallurgical Industries is to float 4m of Ameriya's 20m shares in an issue which local brokers say is already oversubscribed by orders from local investors and international

emerging market funds. Shares will be floated in two tranches: the first 2m shares, open only to individual investors with a cap of 5,000 shares per applicant; and the second 2m open to institutional investors some six months later. A further 2m shares will be sold to the company's Employee Share Ownership Association.

Banque Misr, the bank handling the sale, bas not announced a rice, but brokers expect E£27 a share (\$8). Management of Ameriya, regarded as one of Egypt's most efficient public sector companies, has already promised to pay a E£3 per share divi-dend in December based on earnings so far this fiscal year. One of Egypt's newest broking companies says it already has 5m orders for the stock, most from overseas emerging market funds.

consumer spending. Purchasing power among the poor, who did not have access to inflation-linked savings accounts, is expected to increase substantially and could boost profits in the food. drink and clothing sectors. If a Cardoso election victory appeared probable, investors could start to bring more dollars into the market. But this

would spark central bank con-

cerns about money supply tar-

gets as the bank would have to issue reals in exchange for dollars, putting pressure on the monetary base, widely regarded as the key to the success of the real.

If it got out of hand, the government could attempt to deter a large inflow of foreign capital by a financial operations tax on foreign investment in equities. Currently there is just a 15 per cent withholding tax on dividends.

News round-up

■ Jakarta

Jarkata's stock market has been a laggard this year with the index dipping 24 per cent in the first six months after climbing over 100 per cent last year, but Indonesia's capital markets are likely to head for a drastic transformation over the next few years sprites Maneula Saragosa in Jakarta.

At the sixth annual Pacific Basin capital markets confer-ence, held in Jakarta this month. President Suharto noted that the government eeded \$330bn for its current five year development plan, and that some 73 per cent of that had to come from the private sector.

The main test of the government's commitment to develop-ing the capital markets hangs on abolishing the 49 per cent ceiling on foreign ownership of listed companies. A similar ceiling for direct foreign investment has already been

lifted. Some brokers say the ceiling could be lifted as soon as ministers return from a global roadshow. Others are scentical. "I have been here for three years and I have been hearing these promises for three years," one said. "In any case.

it will end up as a typical Indonesian consensus. The 49 per cent ceiling will be lifted for initial public offerings but will not change in the secondary market."

There are however pressing reasons why the government should lift the ceiling: Indosat, the state-owned telecommunications company, will be privatised later this year and the future of other planned privatisations could depend on its

Indosat will sell up to \$500m worth of shares on the domestic exchange, and as much as \$1bn worth in New York. "There is real concern about how Indosat will place this amount on the domestic market," said a broker. "If it is not a success the whole privatisa-tion plan could go on the back burner again."

Poland

The Warsaw bourse will start daily trade from October by adding a session on Fri-days. The stock exchange has been trading four times a week since the beginning of July.

 Emerging markets coverage appears daily on the World Stock Markets page

Philip Gavith Dollar stays focus of market attention

With the Bundesbank having set out its stall for the summer, attention this week will revert to US monetary policy. with the focus on the second

quarter GDP figure due for

release on Thursday. The market will also be monitoring the dollar, to see whether last week's recovery was simply a technical retracement, or heralds a turnaround in the US currency's fortunes. Last week was characterised by a number of senior US officials pledging their belief in

the virtues of a stronger dollar.

Mr Lloyd Bentsen, the treasury

secretary, and his deputy Mr Larry Summers, were both prominent

Markets were also surprised by the degree of attention Mr Alan Greenspan, the Fed chairman, gave to the dollar during his Humphrey Hawkins testi-

The next step will be to see whether the words will be supported by action, in the form of higher interest rates. With most analysts having proven too bullish in the past, they are understandably

cautious about predicting that the worst of the dollar's

woes are past. There is general agreement, though, that its prospects are better against the D-Mark than the yen, where the trade talks remain a potentially destabilising threat

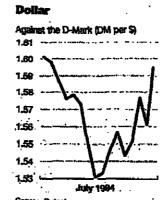
Investors, however, appear to be more bullish about prospects. Mr Steve Hannah, head of research at IBJ International in London, says a recent client survey showed that most clients believe the dollar will be at DM1.65/1.70 by the year

Long term dollar bears, how-

Swiss Bank Corporation, in its latest currency outlook, warns investors not to get carried away by the dollar rally. "The long-term weakness of the US dollar is likely to persist," SBC concludes, suggesting that financial markets will start buying European currencies

later this year. In the UK the chancellor, Mr Kenneth Clarke, and Bank of England governor, Mr Eddie George, meet to discuss monetary policy on

There is little expectation of ever, remain unrepentant, a near-term change in rates.



Baring Securities emerging markets indices Year to date Actua World (288) ... -1.65 -1.04 -6.63 Latin America Argentina (20) Brazil (22) Chile (12) 0.05 -5.02 0.03 -2.71 30.40 -4.39 21.04 -2.38 -2.19 -2.01 4.52 174.86 35.21 32.43 -31.86 125.44 -5.28 25.21 179.97 -2.89 -14.42 -1.91 7.04 129,40 -2.53 -19.76 Peru(16) Europe 80.00 Portugal (16) -1.72 -2.60 -82.89 -19.39 Turkey (20) Europe (49) -51.26 Asia Indonesia (22) -0.48 -0.84 -2.33 0.03 6.12 10.68 127.67 209.85 Korea (23) Malaysia (23) Pakistan (10) -17.07 0.49 0.54 -52.39 Philippines (11) Thailand (24) 0.08 13.46 270.08 233.25 -11.50 7.21 164.79 Azia (143)

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For more details call the FT Cityline Help Desk on 071-873 4378. | Table | Corporation | Corpor Presidential individual Life Funds - Control Brown in the Pends Section II the Section II Abbory Madiegail Life Pic 287 St Wein and Shreet, Cangara Marcons | 114.4 | 120.5 | 44577 | 44578 | 180.5 | We construct the service of the | Comparison | Control | C M & 6 Life and M & 6 Pen Service Form | 1997 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1998 | 1 OTHER UK UNIT TRUSTS | 19 | Statemark | Landon SCA STY | 171-214 1004 (basing) | 171-214 1004 (basi - 42700 - 42700 - 42711 - 42713 - 42713 - 42713 - 44301 - 44301 - 44301 For James Copel use HSGC Asset Mark Easter Last Cond. 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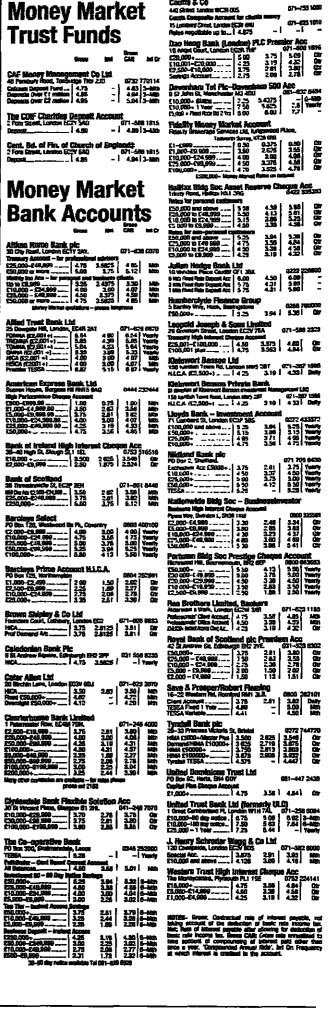
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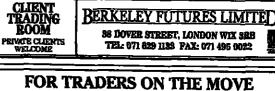
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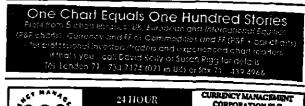
















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MONDAY

Israel-Jordan summit

Israel's prime minister, Yitzhak Rabin, and King Hussein of Jordan hold a summit in Washington, marking the rapid pace of the unfolding Middle East peace process.

The meeting will be a public affirmation that the Israeli-Jordanian peace process is irreversible and that Israel is on the way to its second peace treaty with an Arab neighbour since the Egyptian-Israeli accord of 1979.

A formal treaty, still several months away, will be preceded by joint projects in tourism, trade, environment and regional development, Borders, commercial flights and telephone lines may be opened in a first step towards a regionally integrated market which has been the dream of Shimon Peres, Israel's foreign minister.

The US will encourage and underwrite many of the projects and has demonstrated its support by promising to present to Congress a bill to write off \$950m of Jordanian debt. Both Mr Rabin and King Hussein will address Congress on Tuesday.

The Asean Regional Forum, bringing together 18 countries to discuss political and security issues in Asia, meets for the first time in Bangkok. In addition to the six members of the Association of South East Asian Nations, among those attending are the US, China and Russia. The crisis over North Korea's nuclear programme and the civil war in Cambodia are among the likely topics for discussion, but the meeting may focus on defining ARF's future role. The forum was established in response to the uncertainty in the region after the end of the cold war.

Ecowas, the Economic Community of West African States, begins its annual meeting in Abuja, leading to the heads of states' meeting on Thursday and Friday. Ecowas has made little progress towards its target of economic and monetary union by the year 2000, and the main issue will be its joint peacekeeping force in Liberia, dominated by Nigerian troops.

Finance ministers will discuss the effects of January's sharp devaluation of the Francophone states' common currency, the CFA franc.

UK tank delivery: Sir Colin Chandler, chief executive of the Vickers engineering company, hands over the first completed Challenger 2 tank to the British Army in a ceremony at the company's Barnbow factory in Leeds. It is the first of 146 tanks in the first production run which was supplemented by a follow-on order for 259 more two weeks ago. When final deliveries are complete around the year 2000, the Brit ish Army will have an entirely Challenger 2 tank fleet.

Bayreuth and Salzburg begin their music festivals.

Holidays: Costa Rica, Fiji (Constitution Day), Spain (Madrid only), Thailand, Tunisia.

26

TUESDAY

The US House of Representatives banking committee holds the first congressional hearings into any aspect of the Whitewater affair, which concerns

Whitewater hearing begins

Arkansas property deals, loans, and President Clinton and his wife Hillary. The session will focus on contacts between the White House and other government regulatory agencies. Among those due to testify are "Mack" McLarty, former White House

chief of staff and now senior counsellor, Margaret Ann Williams, chief of staff to Hillary Rodham Clinton, and Lloyd Cutler, White House legal counsel. The Senate banking committee is due to hold parallel hearings beginning either Wednesday or Thursday.

Taiwan courts Gatt: Negotiations resume in Geneva on Taiwan's bid to join the General Agreement on Tariffs and Trade. Taiwan hopes to be a member by the year-end, but Beijing insists on being admitted first (see Friday).

UK economy: The Confederation of British Industry quarterly industrial trends survey will be watched for signs that the UK economic recovery is triggering more investment. Previous surveys have a bearish attitude to investment, in spite of the gradual growth in manufacturing.

Companies' pricing expectations dur-ing the next four months are also likely to be another key topic of interest, in light of the recent rise in the cost of raw materials and components.

Spanish strike: Workers at Spanish car-maker Seat, a subsidiary of Germany's Volkswagen, have called a 24hour strike. They object to a proposed 10 per cent pay-cut and the failure of management to offer any job guarantees in return.

UK rail strikes: Signalworkers for Railtrack, owner of most of the infrastructure of Britain's rail network, step up their pay dispute with their first 48hour stoppage, beginning at noon. Travellers have experienced

24-hour stoppages on the past six Wednesdays. UK politics: The House of Lords, the unelected upper chamber of parliament, rises for its summer recess,

returning on October 10. Glorious Goodwood: One of the premier meetings of the English horse racing calendar begins today (to July



Holidays: Cuba (National Rebellion



WEDNESDAY

East Asian Nations (Asean). Political commentators predict that the government will survive the debate but some members of the coalition's Palang Dharma (Moral Force) party

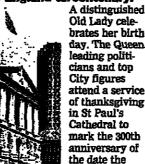


dian trade ministers Mickey Kantor (left) and Roy Maclaren sit down to try to which would avoid US curbs on Canadian

exports and pos sibly other commodities. The US Interfound Canada guilty of dumping its

lohn Major, UK prime minister. gives European Policy Forum lecture in London on The Role and Limits of the

Bank of England tercentenary:



Old Lady celebrates her birth day. The Queen leading politicians and top City figures in St Paul's Cathedral to mark the 300th anniversary of

England's char ter was sealed. Unlike most of us, the Bank is gaining strength as it grows older. Eddie George, its governor, now exercises a more powerful influence over monetary policy than any of his

Holidays: Belarus (Independence

Statistics to be released this week

Thai confidence vote

That opposition parties are due to launch a no-confidence debate in parlia ment against four ministers in the governing coalition, including Prasong Soonsiri, the foreign minister who is simultaneously hosting a series of meetings for the Association of South-

have threatened to vote against their own cabinet ministers because of disagreements within the party.

Wheat heat:



negotiate a deal durum wheat

national Trade Commission has already wheat in the US

EU social policy: The European Commission is due to approve social affairs commissioner Padraig Flynn's white paper on social policy at a meeting in Brussels.

Bangladesh's main opposition party, the Awami League, plans a big rally to press its demand for an early election under an interim administration



attend a service of thanksgiving the date the Bank of

recent predecessors.

FT Surveys: Bank of England's 300th

Day), Bosnia and Hercegovina.

ECONOMIC DIARY

Crisis in Fiwanda: humanitarian aid to the refugees being co-ordinated by the United Nations is not enough to cope with the situation 29

FRIDAY

China discusses Gatt terms

Members of the General Agreement on Tariffs and Trade meet in Geneva to discuss the terms on which China will be re-admitted to the world trade

Beijing, exasperated by the delay in concluding the seven-year-old negotia-tions, says it will submit one last trade liberalisation offer but is not prepared to join Gatt at any cost.

The hard bargaining is expected in September, as China tries to beat the deadline for Gatt membership by yearend, enabling it to become a founder member of Gatt's successor, the World Trade Organisation.

Islamic fundamentalists in Bangladesh plan a march to the capital Dhaka as part of their campaign against Taslima Nasreen, 32, a feminist writer accused of insulting Islam. Ms Nasreen came to prominence last year with a novel, "Lajja" (Shame), portraying the sufferings of Bangladesh's Hindu minority.

Lloyds kicks off the UK clearing banks' interim results season. Its prospects are affected by uncertainty over its proposed £1.8bn (\$2.8bn) acquisition of Cheltenham & Gloucester building soclety.

Pre-tax profits of about \$850m are expected.

Real deadline: Today is the last chance for Brazilians to exchange their old currency, the cruzeiro, for the real, which was introduced on July 1.

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WEEKEND

Bosnian peace hopes fatter

Foreign ministers from the five-nation contact group on Bosnia meet in Geneva on Saturday to decide what to do after the failure of the latest, suppos edly final, peace plan. Options include tighter sanctions on Serbia, more rigorous enforcement of "no-fly" and exclusion zones, and lifting the arms embargo for the Bosnian government.

Tahwanese and mainland Chinese negotiators start talks on Saturday in

On the agenda are fishing disputes, the return of illegal immigrants to the island and the repatriation of airline hijackers. The last round of talks was held in March. Five previous rounds have been unsuccessful.

Sailing: Cowes Week begins on Saturday (to August 6).

South Pacific Forum: The 25th annual meeting begins in Brisbane on Sunday (to August 2). Delegates will consider how the Forum's structure and procedures are adapting to economic changes in the region, and its relationship with other institutions, especially the Association of South East Asian Nations and the Asia Pacific Economic Co-operation forum.

Motor racing: The German Grand Prix takes place at Hockenheim, near Heidelberg, on Sunday.

Compiled by Patrick Stiles. Fax: (+44) (0)71 873 3194.

Other economic news

Monday: Japan and the US will be key focuses of market attention this week, with a spate of statistics for economists to feed on. Japan's trade balance for the first 10 days of June today will be watched with interest in light of the ongoing weakness of the dollar against the

Tuesday: On the domestic front, Japan's coincident and leading diffusion indexes for May, published today, should provide further indication that business sentiment is improving. In the US, July's consumer confidence data is likely to show confidence flattening out, albeit at high levels.

Wednesday: More indications about the strength of the US economic recovery will emerge today with the publication of June durable goods data. In Japan, June's retail sales are expected to show a year on year fall, albeit at a slower rate than last month.

Friday: More US and Japanese data round off the week,

with Japan's construction data expected to indicate a slow pick-up in this sector. US advance GDP data are forecas to show a rise, year-on-year, of 3.65 per cent for the second quarter of this year, up from 3.4 per cent in the first quarter.

Activit 4.09m Mon US June edsting home sales July 25 Japan 1st 10 days June trade belang *\$2.8bn June supermarket sales" -2.3% Japar Taiwan 15.7% June M2** Tues US 92 July consumer confidence July 26 US Johnson Redbook, July 23 n/a -0.4% Japan May coincident indx 70% 60% May leading diffusion indx 80% Japan June durable goods orders Wed US 0.5% 1.1% June durable shipments July 27 US 0.9% Japan June retali sales -8% .496 June household consumption 0.9% France Austia 2nd qtr consumer prices indx* 0.8% 0.4% Ausila 1.9% 1,496 2nd qtr consumer prices Indx* US initial claims, July 23 392,000 Thur 375,000 July 28 US State benefits, July 16 2.75m US M2 w/e July 18 \$0.5bn -Sibn June industrial production t -1.2% Japan -3.2% Japan June shipments! Canada May fix-weighted emp earnings** 1.896 1.2% 2nd qtr grass domest prod advance 3.65% Fri US 3,4% July 29 US Ditto, deflator (advance) 2.6% 2.6% US 88.9 July Michigan sentiment (final) n/a US 0.3% June export price indix n/a

June import price inch

Day Released	Country	Economic Statistic	Median Forecest	Previous Actual
Fri	US	July agricultural prices		-21%
July 29	dapan	June unemployment rate		2.8%
(cont)	Japan	July Takyo consumer prices indx	0.2%	0.5%
	Japan	Ditto, ex perishables	0.8%	0.8%
	Japan	June nation consumer prices indx	0.7%	0.8%
-	Japan	Ditto, ex perishables .	0.9%	1%
	Japan	June construction orders	-	-16.9%
	Japan	June housing starts	8%	13.5%
	Japan	June construction starts	•	0.1%
	France	June unemployment rate	12.7%	12.7%
•	France	June jobseekers		3.3m
	Canada	May gross dom product, fac cost*	0.4%	0.3%
	Aus'ifa	June current a/c	-	-A\$1.42bn
	Aus'lie	Ditto†	A\$1.6bn	-A\$1.71bn
During t	M Week			
	Jepan	2nd 10 days July wh'sale price ind	x- ·	-0.1%
	Germany	June Import prices"	0.3%	0.4%
	Germany	June import prices**	0.9%	0.9%
	Germany	May capital a/c	-	DM4.9bn
	Germany	May long-term capital a/c		-DM14.8br
· ·	Germany	July prelim cost of living*	0.1%	0.1%
	Germany	July prelim cost of living**	2.9%	2.9%
	Italy	June belance of payments		L2.2Tr

28

THURSDAY

Talks on Yemen begin

United Nations-sponsored talks

to help forge a reconciliation between

Abiola trial: Moshood Abiola is to be

tried for treason by Nigeria's military

regime today in a specially convened

high court in Abuja. Mr Abiola was

arrested last month when he declared

himself president on the anniversary of

his victory in the annulled presidential

General Sani Abacha has promised to

start a new transition to civilian rule

some time next year, but is facing

Japanese economy: Industrial

production figures out today should

give further evidence that the Japanes

June, after a year-on-year fall of 1.2 per

industry regulator, fan Byatt, publishes

his long-awaited price controls for UK

rising water charges have been widely

criticised. The controls will dictate how

much companies can increase prices

ecount of inflation and their oblig

tions to modernise the water system.

Holidays: Peru (Independence Day).

during the next 10 years, taking

water companies at a time when fast-

recession is bottoming out. Analysts

expect the growth rate to pick up in

UK water pricing: The water

strike in the vital oil industry.

mounting opposition and a national

election.

cent in May.

North and South Yemen are due to

start in Paris after their two-month

ACROSS

mixture (8)

breaking into 1 Spot so 4 Pudding Ingredient is a lemon

10 A woman s before (7) , soldlers imprisoned 11 Seen pointlessly returning duty list to statesman (7) 12 Fastened pole to shed (4) 13 Came to light as print

changed colour (10)

15 Offensive party rejected promissory notes (5)
16 Convinced some (7) 20 Back street opposite (7) 21 One-sided fun arranging tune

24 Stirring up riot cheer a Roman driver? (10)
26 Imitate some female choirs (4)
28 He turns out to be first easy

29 Worry about politician becoming bore (7) 30 One carries some water over

31 Beg for a stewed apple (6)

1 Breaks stolen picture (8) Finding accountant exciting is drinking freely! (9) See 27 down 5 Sees poor nurse caught accepting perfumes (8) Order "run round marquee" being all-powerful (10)

US

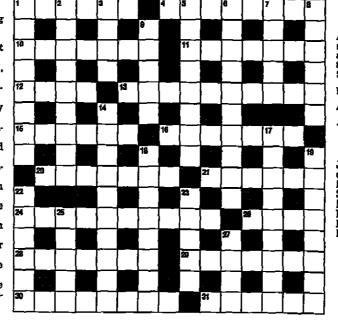
7 Bury famous playwright top-less! (5) 8 Scrape off tar on a red woolly 9 Monster water outlet no conservationists wanted (5)

14 Buzz with detail I raised

when mortified (10) 17 Basil and Eric, terribly hottempered (9) 18 Oriental man gets drunk in secret (8)
19 Wild boar not supposed to be

tree-dwelling (8) 22 One is spotted suffering from 23 Colour of a companion after

25 One last word before you go 27 and 3 down Mistake route which gets you on to motor-way (4.4)



1.1%

MONDAY PRIZE CROSSWORD No.8,514 Set by GRIFFIN

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 4, marked Monday Crossword 8,514 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 8.

Addres

Wingers 8.502

month on month, "year on year, †seasonally adjusted

June trade balance, ex-pay

J. McQuhae, St Remy de Prov-ence, France R.R. Beil, West Hallam, Derby Susan Higgins, Erpingham, Norfolk Kendall, Bournemouth H. Piper, Chessington, Surrey R.J. Trail, Highcliffe, Dorset

Solution 8,502

L0.777r

Statistics, courtesy MMS International

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